Public Utilities

Volume 58 No. 3 August 2, 1956

ECONOMIC AND REGULATORY ASPECTS OF ACCELERATED DEPRECIATION
By C. P. Guercken

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How Much Reclamation Do We Need?
By T. N. Sandifer

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The Case for Company Publicity
By Raymond E. Doncvan

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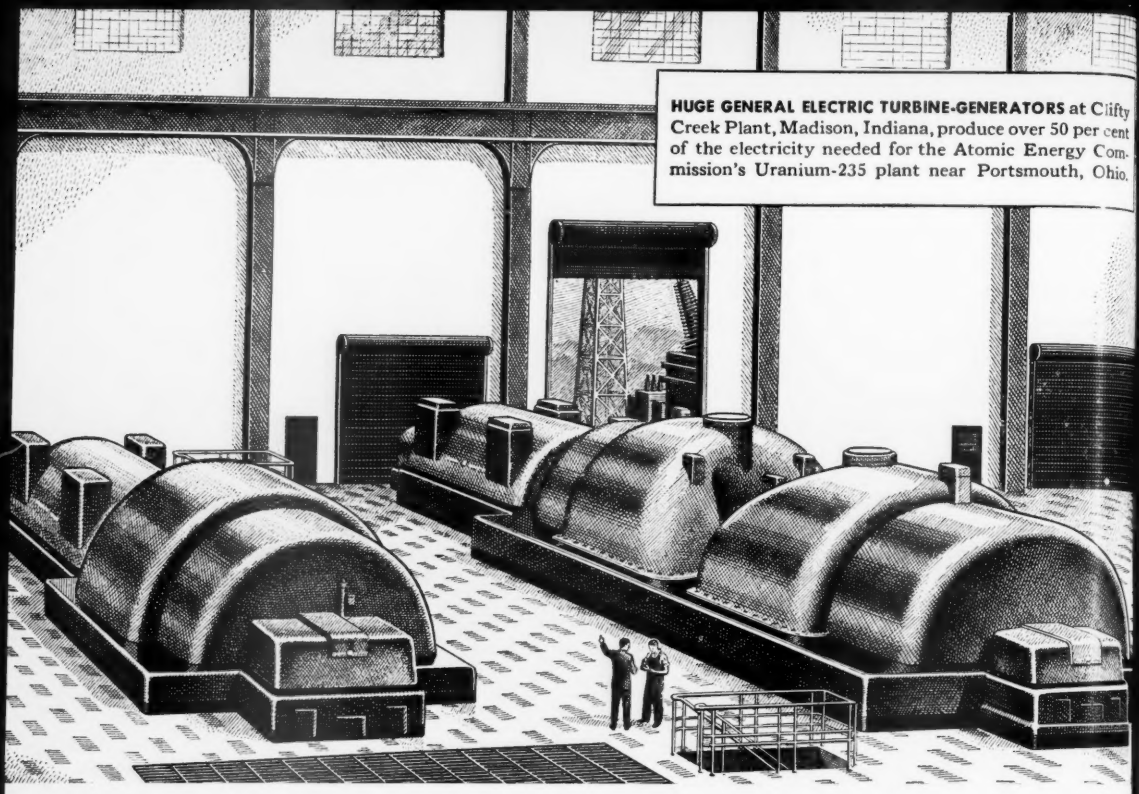
Accelerating the Civilian Reactor Program



HUGE GENERAL ELECTRIC TURBINE-GENERATORS at Clifty Creek Plant, Madison, Indiana, produce over 50 per cent of the electricity needed for the Atomic Energy Commission's Uranium-235 plant near Portsmouth, Ohio.

New Cross-compound Turbine has greater output per pound of coal

OVEC's* 217,000-kw units demonstrate efficiency of General Electric design

Supplying low-cost power in spite of today's high investment and operating costs is one of the toughest jobs in American industry. Yet the nation's utilities are meeting this challenge with results that continue to make electricity today's greatest bargain.

Success in meeting these higher costs is due in part to the development of prime movers of greater efficiencies. General Electric cross-compound turbine-generators such as the 217,000-kw units in operation at Ohio Valley Electric Corporation's Clifty Creek Plant are demonstrating the savings possible with more efficient units. Each of these units can produce over 35,000,000 additional kilowatt-hours per year, using the same amount of fuel as turbines of earlier designs.

New in design, each of these highly efficient cross-compound turbines with separate high- and low-pressure sections, permits compact and economical station arrangement. The opposed-flow design of the 3600-rpm, high-pressure turbine concentrates high steam temperature in a small area to avoid thermal distortion. The 1800-rpm, low-pressure turbine allows the use of longer last-stage buckets to extract more energy at low-exhaust pressures.

Efficiency like that demonstrated by Clifty Creek turbine-generators enables the Ohio Valley Electric Corporation —and other utilities—to provide ample low-cost electricity for ever-increasing loads. It is typical of the achievements attained through General Electric's co-operation with utility and consulting engineers. Large Steam Turbine-Generator Department, General Electric Company, Schenectady 5, New York.

* Ohio Valley Electric Corporation—comprised of 15 electric utility companies.

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Public Utilities FORTNIGHTLY

VOLUME 58 AUGUST 2, 1956 NUMBER 3

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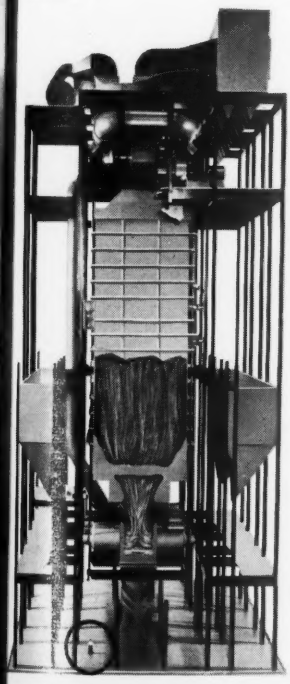
Each unit will produce 450,000 kw, enough power to supply the residential need for a city of 4,000,000 people—*more electricity than many complete utility systems.* Steam generators for the two units are of the B&W Universal Pressure type, and will be the second and third to go into commercial service .The first will start producing power at Ohio Power's Philo Plant in the near future.



Cyclone Furnace-fired B&W Universal Pressure Steam Generator to serve 450 MW turbine. Design pressure 4500 psi. Generates 2,900,000 pounds of steam per hour at 3625 psi, 1050 F. There are two stages of reheat to 1050 F. The second unit is similar in design but will be pulverized-coal-fired. Note comparison with six foot man standing at basement level.

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It takes courage and confidence in their engineering ability for AGE to initiate these world's largest generating units—and this confidence is reinforced by the work of the B&W organization and by previous experience with B&W research, engineering, manufacturing, field development and erection. These capabilities, skills and facilities are the real resources of B&W. For nearly 100 years they have been dedicated to serving the current and future steam-electric power needs of the nation.

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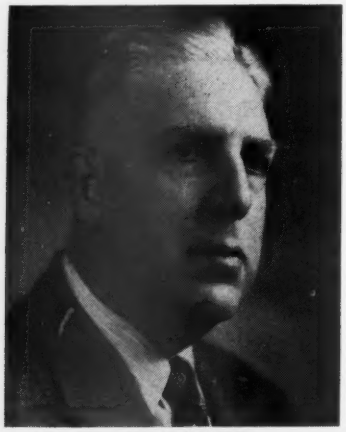
Pages with the Editors

THE whole concept of accelerated depreciation for corporate income tax purposes has been the subject of continued reflection and re-examination for some time. Economists have long been concerned over the burden placed upon corporate management by the older conventional straight-line, age-life type of depreciation accounting. Under this form of accounting, industry in general often found it difficult to mobilize new capital for necessary plant expansion at the same time when depreciated plant had to be replaced at much higher prices than original cost of the units retired.

AND when the difference between inadequate depreciation reserves and the replacement cost had to be made up by the investment of fresh capital, the result was competition for new capital, as between funds needed for building and expanding new plant and funds needed to replace old plant worn out. The tax component entered into the picture definitely during the Korean War when it was decided that some additional incentive might be made for the commitment of investment for new plant if tax liability could be deferred —at least during the earlier years of the plant life—by increasing the depreciation deduction proportionately, or what is known as "accelerated depreciation."



T. N. SANDIFER

C. P. GUERCKEN

DURING the Korean War this privilege was restricted to a definite 5-year term applicable only to certified defense plants of industries, such as public utilities, directly or indirectly supporting the defense effort. If this earlier amortization for defense emergency had been the only method used in making an allowance for accelerated depreciation, the position of public utilities (as compared with other industries) might be subject to much more misunderstanding or misrepresentation. This is because public utility industries participated so extensively in the applications for the 5-year amortization certificates that the impression might have been created in some quarters that Congress had some special intention with respect to public utilities and other defense industries, as contrasted with unregulated nondefense business.

BUT in the Revenue Act amendments of 1954 the concept of accelerated depreciation was extended for the liberalization of corporate tax computations by *all* corporate business, utilities and nonutilities alike. Hence the old argument, made in some quarters, that Congress had intended to deny any actual benefits of accelerated depreciation to utility companies, *as companies*, and to restrict such benefits (if any) to utility ratepayers, became less

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tenable. It would be tantamount to suggesting that Congress wanted to discriminate against utility corporate taxpayers in favor of the nonutility corporate taxpayers.

BUT misunderstandings and complications persist, especially with respect to regulatory accounting for accelerated depreciation by public utilities. This is the subject matter covered in the comprehensive article opening this issue. It is an exhaustive study of all known or reported regulatory and accounting orders issued so far by federal and state commissions regarding the treatment of accelerated depreciation. Readers will find it an informative roundup of the multiplicity of developments in a very quickly changing yet very important situation. In addition to marshaling the facts, the author has added some thoughtful and persuasive interpretations of his own.

C. P. GUERCKEN, who wrote this article, is a graduate of New York University (BS, '31, electrical engineering). After studying economics, accounting, and finance at the London School of Economics, he stayed on in England and joined Edmundson's Electricity Corporation, then a subsidiary of Utilities Power & Light Company of Chicago. In 1937 he became associated with the County of London Electric Supply Company as assistant to the general manager. Upon returning to the United States in 1940 MR. GUERCKEN joined Ebasco Services Incorporated as budget sponsor. His present position is assistant to the vice president of that organization.

RAYMOND E. DONOVAN

* * * *

SURPLUS agricultural production activity —that paradoxical superabundance which has plagued our national economy for nearly a decade—is the subject of an enlightened and somewhat satirical article about reclamation, which begins on page 168. Written by a veteran Washington newspaper correspondent, T. N. SANDIFER, this article questions the common sense of bringing more highly expensive acres of arid land into production by reclamation, at the same time the soil bank program plans to pay farmers for taking established acres out of production.

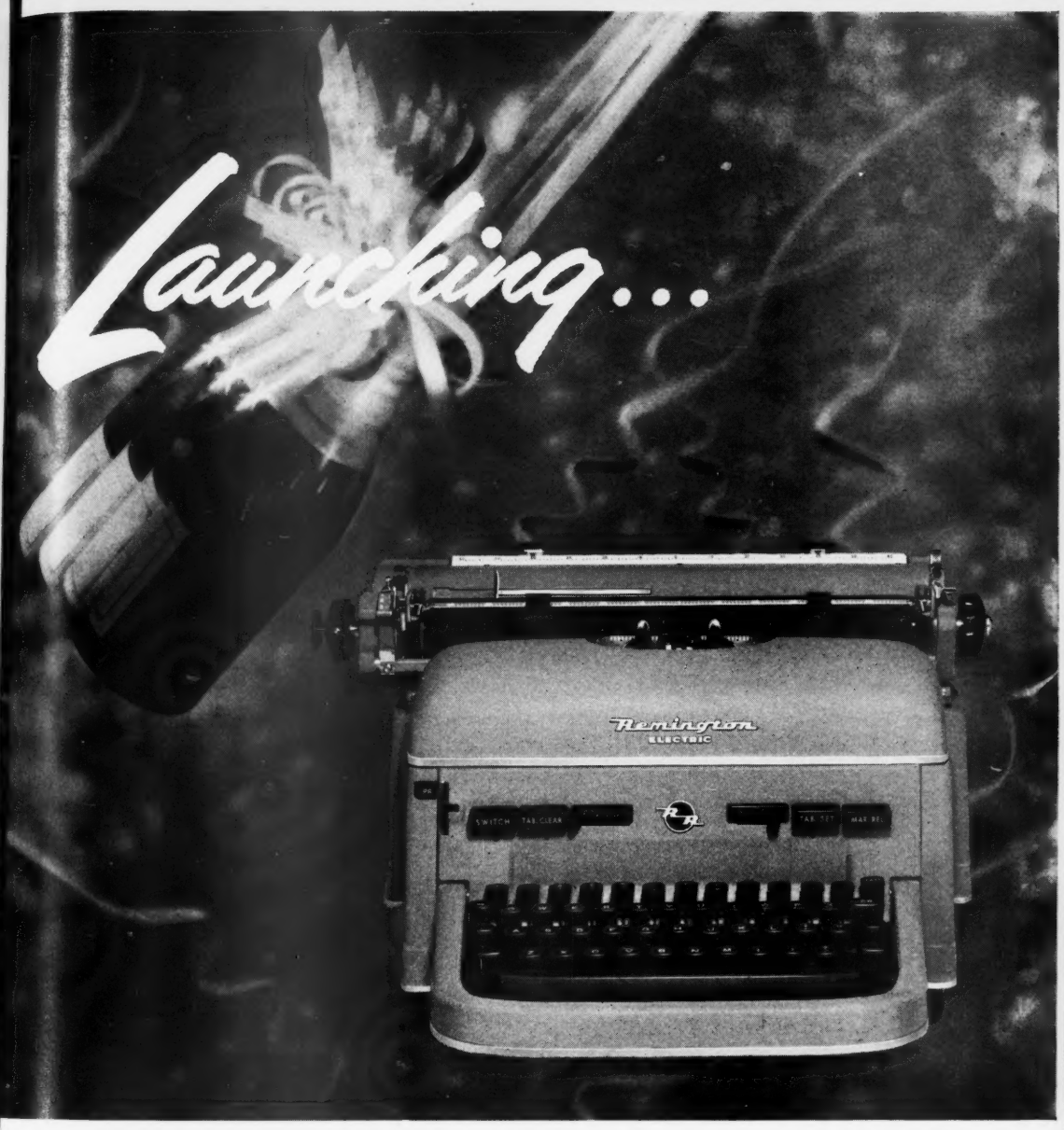
ON the one hand, Uncle Sam is paying the farmer to "moth ball" part of his land. On the other hand, the taxpayers are getting bigger and bigger bills for projects which will bring new lands into production and inevitably contribute to more agricultural surplus. With the forthcoming political campaign joining issue on the subject of the administration's "partnership" policies and the charge of the political opposition about "giveaway" practices in dealing with our natural resources, MR. SANDIFER has made a timely contribution.

* * * *

RAYMOND E. DONOVAN, whose article on public utility companies' publicity techniques begins on page 175, is a native of Lowell, Massachusetts, and a graduate of Holy Cross College (AB, '51) of that state. After some experience as a reporter and correspondent for several Massachusetts newspapers, MR. DONOVAN joined the public relations department of The Connecticut Light and Power Company. Since last August he has been copy supervisor in the advertising and publicity section of that utility organization.

THE next number of this magazine will be out August 16th.

The Editors



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COMPETITION BETWEEN REGULATED AND UNREGULATED TRANSPORT

The meager return on railroad investments over the past decade is due, in large part, to the nature of the competition which the railroads have been called upon to meet. It is not the fact of competition but rather the one-sided nature of it which has placed the railroads at a serious economic disadvantage. It is, in short, the result of an unequal contest between regulated railroads and unregulated competition. The practical problem is whether the railroads would be put into a better competitive position by relaxing regulatory burdens. It is an interesting question for all regulated industry, which means all public utilities. Who knows but that the gas, electric, and even communications utilities of today may not have to cope with some competitive service problems in future years, in the light of atomic energy, microwave developments, etc.? Professor Harold Koontz of the University of California School of Business Administration, a well-known authority on transportation economics, has written a down-to-earth analysis of public and managerial issues in competition between regulated and unregulated forms of transportation.

INGENUITY ENGINEERING FOR UTILITIES

All utilities must plan for their future. All of them are confronted with the continuing demand for their services and how to meet that demand on time, both qualitatively and quantitatively. But some public utilities operating in areas where there has been an almost explosive upsurge in demand for service, due to the migration and growth of industry and population, have special problems. And these problems call for special engineering to enable such public utilities to take full advantage of local conditions which can be used to assist operations. In California the problem has always been **water supply.** Jane Eshleman Conant, of the editorial staff of the San Francisco Call Bulletin, has written an entertaining as well as informative account of how Pacific Gas and Electric Company coped with some of the special problems requiring special answers in that service area of skyrocketing demands.

ATOMIC-POWERED SERVICE FOR NEW ENGLAND

Among the nuclear reactor projects already licensed by the Atomic Energy Commission for development by business-managed public utility groups is the so-called Yankee atomic project, sponsored by twelve New England electric utilities. T. E. J. Kenna, of the editorial staff of **The Hartford Courant,** has looked into this project with a view of finding out more about it than has reached the press. His investigation included William Webster, president of the Yankee Atomic Electric Company, and the author found out a number of interesting things. The ensuing article tells a thrilling story of planning and possibilities which the promoters of this New England project hope to realize, in terms of practical electric utility supply and public service operations.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

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Cleveland Plain Dealer.

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K. N. MERRITT
Vice president, Railway Express Agency, Inc.

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HOLMES ALEXANDER
Columnist.

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Chairman of the board, General Motors Corporation

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The Wall Street Journal.

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M. S. RUKEYSER
Columnist.

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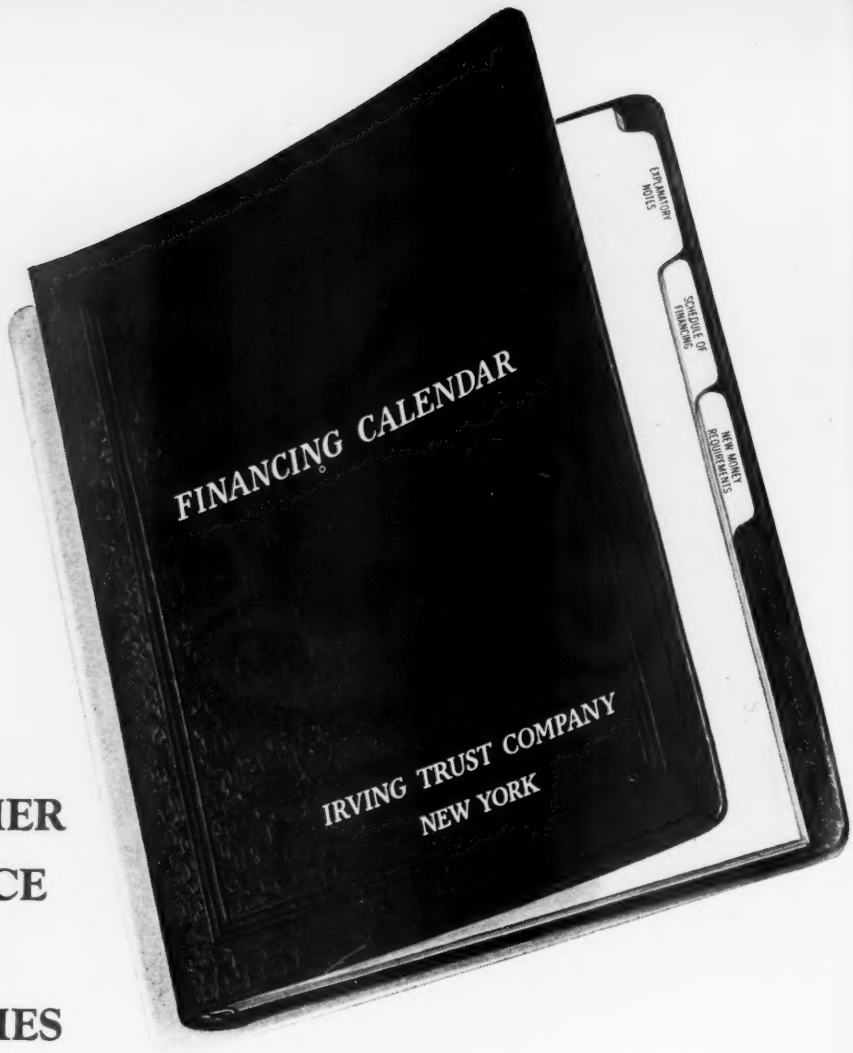
July 11, 1956



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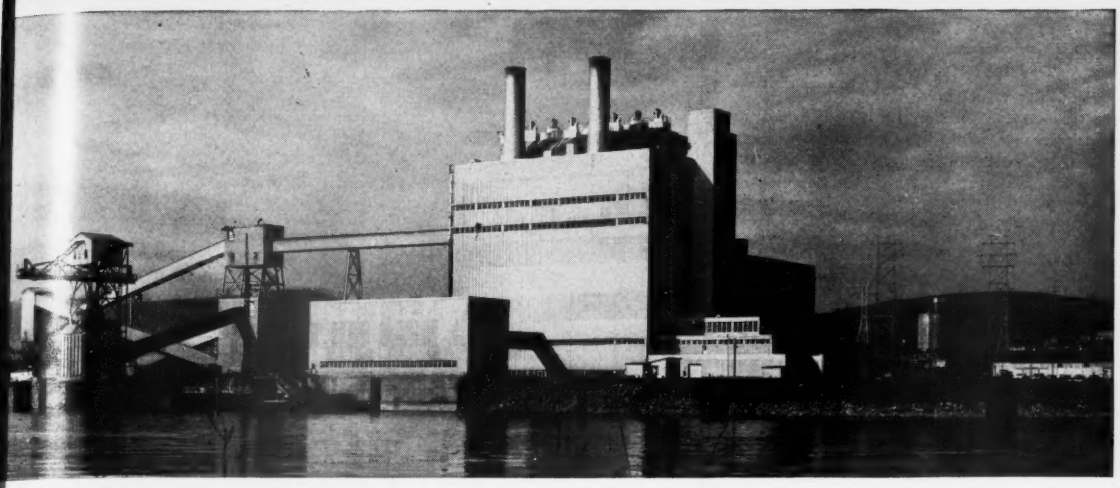

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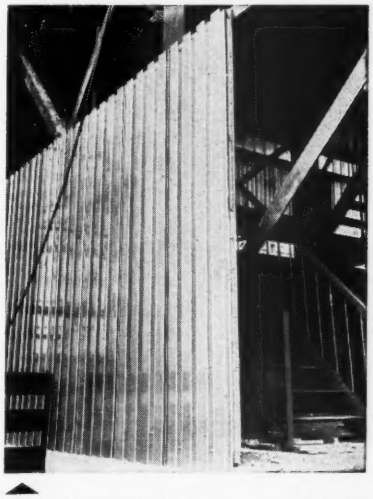

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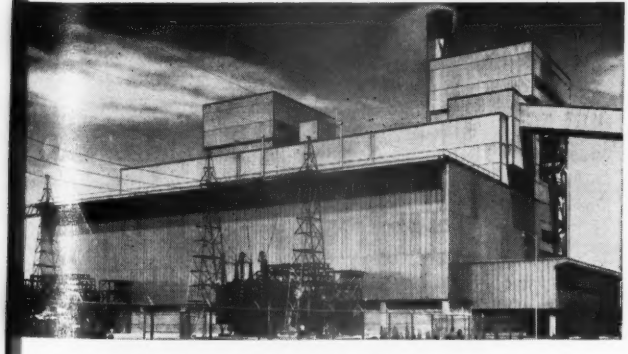

More than 32,000 sq. ft. of Q-Panels were used to enclose the impressive Hawthorn Steam Electric Station (left) of the Kansas City, Missouri, Power and Light Company. Ebasco Services, Inc., designed and built the plant.

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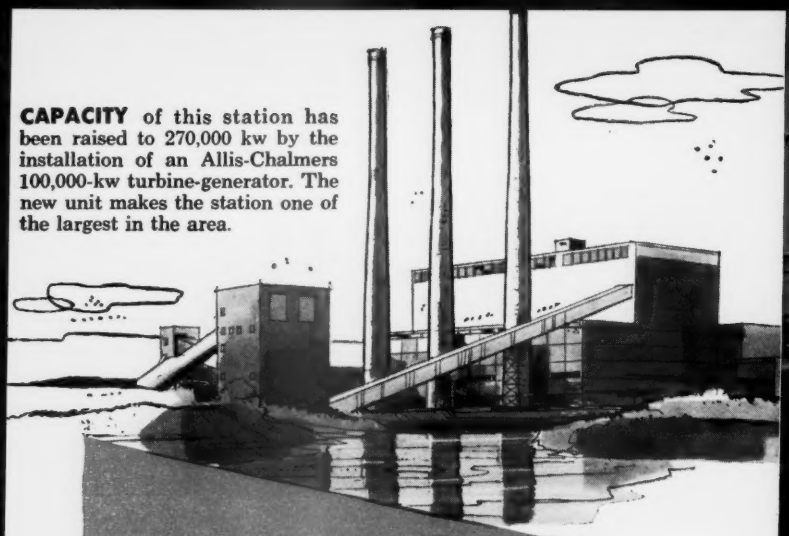
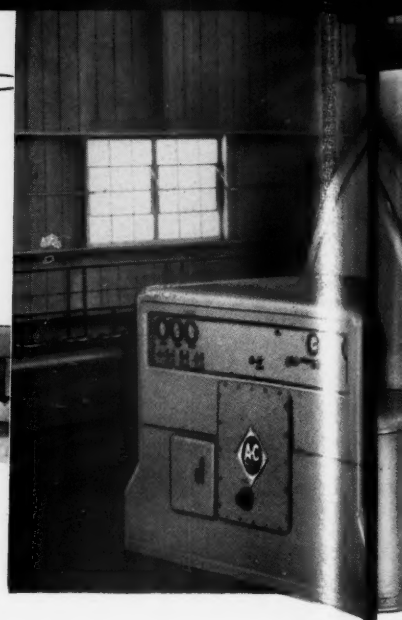
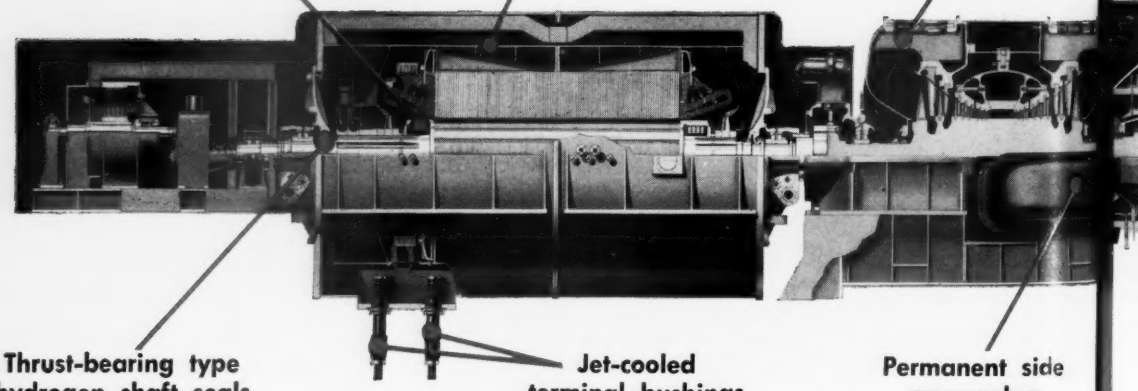




Here's MORE Power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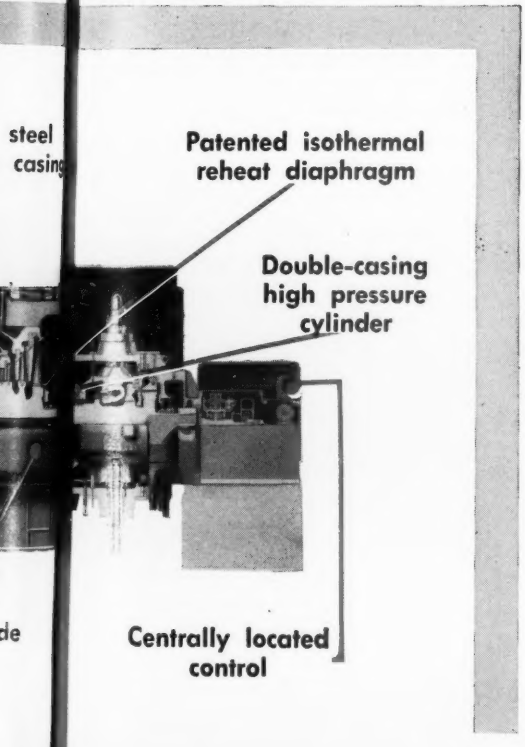

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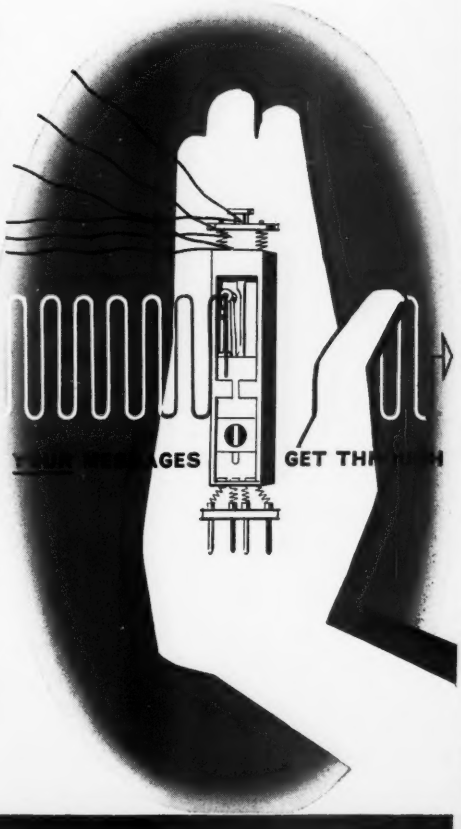

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AUGUST

Thursday—2 *American Bar Association will hold annual meeting, Dallas, Tex. Aug. 27-31.* ***Advance notice.***	**Friday—3** *Southern Gas Association begins distribution accounting round-table conference, Dallas, Tex.*	**Saturday—4** *Michigan Independent Telephone Association will hold annual convention, Grand Rapids, Mich. Sept. 6, 7.* ***Advance notice.***	**Sunday—5** *New Jersey Gas Association will hold annual meeting, Spring Lake, N. J. Sept. 7.* ***Advance notice.***
Monday—6 *Independent Natural Gas Association will hold annual membership meeting, San Antonio, Tex. Sept. 9-11.* ***Advance notice.***	**Tuesday—7** *New England Gas Association will hold safety conference, Boston, Mass. Sept. 11.* ***Advance notice.***	**Wednesday—8** *Pacific Coast Gas Association will hold annual meeting, Coronado, Cal. Sept. 11-13.* ***Advance notice.***	**Thursday—9** *Northwest Public Power Association, Inc., Accounting Section, will hold meeting, Wenatchee, Wash. Sept. 11-14.* ***Advance notice.***
Friday—10 *Columbia University, Industrial and Management Engineering Department, ends two-week annual utility management workshop, Harriman, N. Y.*	**Saturday—11** *American Society of Mechanical Engineers, Heat Transfer Division, begins first national conference, Pennsylvania State University, Pa.*	**Sunday—12** *American Institute of Electrical Engineers will hold annual electrical conference of the petroleum industry, Kansas City, Mo. Sept. 12-14.* ***Advance notice.***	**Monday—13** *American Water Works Association, Michigan Section, will hold annual meeting, Kalamazoo, Mich. Sept. 12-14.* ***Advance notice.***
Tuesday—14 *Mid-West Gas Association will hold gas school and conference, Iowa State College, Ames, Iowa. Sept. 12-14.* ***Advance notice.***	**Wednesday—15** *Maryland Utilities Association will hold fall conference, Virginia Beach, Va. Sept. 14, 15.* ***Advance notice.***	**Thursday—16** *Public Utilities Association of the Virginias will hold annual meeting, White Sulphur Springs, W. Va. Sept. 14, 15.* ***Advance notice.***	**Friday—17** *Southern Gas Association begins pipeline operations and maintenance round-table conference, El Paso, Tex.*

Steam Plant Nocturne

Kansas City Power & Light's recently dedicated Hawthorne station.

Public Utilities
FORTNIGHTLY

VOL. 58, NO. 3 AUGUST 2, 1956

Economic and Regulatory Aspects of Accelerated Depreciation

An exhaustive study of all of the known or reported regulatory and accounting orders so far issued by the federal and state commissions regarding the treatment of accelerated depreciation. An informative roundup of multiplicity of developments in a quickly changing and very important picture. In addition to marshaling the facts, the author has added his own thoughtful and persuasive interpretation.

BY C. P. GUERCKEN*

FEW provisions of any federal revenue act have caused as much controversy or argument as those contained in the so-called liberalized depreciation rules of the Internal Revenue Code of 1954. These depreciation provisions permit industry, both regulated and unregulated, to obtain certain temporary benefits with respect to the deferral of taxes which it could not have otherwise enjoyed.

One so-called liberalized depreciation provision of the income tax laws, the declining balance method, antedates those of the 1954 act by many years. Even before World War II the Internal Revenue Service administratively permitted a taxpayer to take depreciation deductions for tax purposes on the declining balance method up to a maximum of 150 per cent of the straight-line rate.

*Assistant to vice president, Ebasco Services Incorporated. For additional personal note, see "Pages with the Editors."

Neither the utility industry nor the regulatory commissions saw fit to make an issue of this liberalization of taxation and, in fact, there is no record of utilities having availed themselves of this liberalized provision.

IN 1950 the outbreak of the Korean War faced the American economy with the problem of expanding its defense facilities as rapidly as possible. Congress, in passing the Internal Revenue Act of 1950, renewed the accelerated amortization provisions of World War II under which emergency facilities could, for tax purposes, be amortized over a five-year period.

The utility industry, particularly the electric and gas segments of it, availed itself of those provisions and on the whole received fair treatment from the regulatory commissions. While most of the orders were for accounting purposes only, a number of commissions—including the Federal Power Commission—issued favorable orders for rate-making purposes. A number of state courts also ruled favorably either directly or by inference that the benefits of the tax deferral resulting from accelerated amortization temporarily belonged to the utility.

The emergency conditions which prompted Congress to enact the accelerated amortization provisions passed, but the need to keep the economy in high gear, and to insure full employment by expanding the country's economic facilities, remained as one of the prime objectives of economic policy. Congressional intent in passing HR 8300 is perhaps best summarized by a statement found in the report of the House of Representatives Committee on Ways and Means on Internal Revenue Code of 1954, which said in part with regard to depreciation:

> More liberal depreciation allowances are anticipated to have far-reaching economic effects. The incentives resulting from the changes are well timed to help maintain the present high level of investment in plant and equipment. The acceleration in the speed of the tax-free recovery of costs is of critical importance in the decision of management to incur risk. The faster tax write-off would increase available working capital and materially aid growing businesses in the financing of their expansion. *For all segments of the American economy,* liberalized depreciation policies should assist modernization and expansion of industrial capacity, with resulting economic growth, increased production, and a higher standard of living. (Italics supplied.)

THE committee also noted significantly that:

> *The changes made by your committee's bill merely affect the timing and not the ultimate amount of depreciation deductions with respect to a property.* (Italics supplied.)

Nowhere has the intent of Congress as to the ultimate economic effects of liberalized depreciation been more clearly or more succinctly summarized than in the foregoing passages.

The Regulatory Background

The passage of the Internal Revenue Code of 1954 did not solve in one stroke the problems facing the regulated segment of American industry. Beset as it was by the problem of raising some $6 billion of

construction expenditures for electric, gas, and telephone services, it faced the additional hazards of uncertainty as to the stand which the public utility commissions would take on the treatment of the tax deferral arising from the use of liberalized depreciation. The questions in the mind of utility managements ranged from:

(a) Would the commissions generally consider the provisions and economic intent of § 167 (depreciation) to be analogous to those of § 168 (amortization of emergency facilities) of the Internal Revenue Code; namely, that the benefits of liberalized depreciation belong temporarily to the taxpayer?

(b) Would the commissions prescribe normalized or actual taxes for accounting or for rate-making purposes?

(c) Would the accumulated tax deferral be deducted from the rate base, especially in original cost jurisdictions?

(d) Would the commissions consider those utilities which did not avail themselves of the liberalized method of tax depreciation as being improvident in not seeking the immediate lowest possible level of taxation and either *order* them to take liberalized depreciation or, in effect, arbitrarily assume a reduction of their tax liability for rate-making purposes—just as if they had taken liberalized depreciation?

The Relationship of §§ 168 and 167

THERE is no question that in both instances the intent of Congress was to stimulate economic activity. First with respect to defense projects through the application of the rights granted under the amortization of emergency facilities (§ 168 of the code formerly 124A of the Internal Revenue Act of 1950) and, second, with respect to the more permanent economic incentives applicable to all segments of American industry under § 167, or that dealing with liberalized depreciation. The common denominator of both sections is clearly the growth and expansion of the country's industrial facilities, irrespective of whether such facilities are regulated by public service laws or by the laws of the competitive market.

An important contribution to the foregoing contention was made by Jerome K. Kuykendall, chairman of the Federal Power Commission, who, in his appearance before the Senate Finance Committee on the hearings of HR 8300, said in part:

> Section 168 permits certified emergency facilities to be written off over a period of five years. On the other hand, the use of the second or third method, as set forth in § 167, could result in the write-off of more than 40 per cent of the cost of an asset in the first quarter of

¶ "FEW *provisions of any federal revenue act have caused as much controversy or argument as those contained in the so-called liberalized depreciation rules of the Internal Revenue Code of 1954. These depreciation provisions permit industry, both regulated and unregulated, to obtain certain temporary benefits with respect to the deferral of taxes which it could not have otherwise enjoyed.*"

its service life or as much as two-thirds of the cost in the first half of the service life. Accordingly, the use of second or third method authorized by § 167 or the use of the method in § 168 could result in the payment of less taxes in the early years and more taxes in the later years of the service life of an asset, assuming that the tax rate will remain approximately at the present level.

He continued that

After the receipt of numerous comments, views, and data from various utilities and consumer groups and hearing vigorous arguments on the above three questions, the commission on December 4, 1953, in Docket No. R-126, issued a statement of policy, Opinion No. 264, in which it stated that for rate-making purposes depreciation expense should be computed on the basis of the actual service life of the facilities. The commission further stated it also appeared that Congress intended that the utilities should retain the benefits arising from accelerated amortization; *i.e.,* federal income taxes computed on a normalized basis rather than on the accelerated basis should be included in the cost of service. The same principle was followed by the commission in Opinion No. 269 fixing the rates of Panhandle Eastern Pipe Line Company.

MR. KUYKENDALL concluded his statement by saying that

This commission recommends that Congress expressly provide that §§ 167 and 168 be applicable to public utility companies, whether intrastate or interstate and in *the committee report state that no change in congressional policy is thereby intended from that covered by § 124A of the Internal Revenue Code.* If Congress should follow this recommendation, the commission is of the opinion that further provision should be made for retention by the utilities of any tax savings thereby realized so that the tax savings could not be paid out in dividends or used to reduce rates temporarily. (Italics supplied.)

THE first order on the accounting treatment of liberalized depreciation ever to be issued by a state commission (see appendix) was that of Michigan in the case of the Detroit Edison Company, on November 5, 1954. The Michigan Public Service Commission also drew the analogy between §§ 167 and 168 when it said in part:

> . . . this commission, by order dated August 8, 1951, specifically prescribed the method of accounting for the federal income tax results of accelerated amortization (or depreciation) of the cost of certain facilities under the provisions of § 124A of the Internal Revenue Code of 1939 (§ 168 of the Internal Revenue Code of 1954) which are the same in nature as the federal income tax results of accelerated depreciation (or amortization) under said § 167.

A more direct and pointed reference to the similarities of §§ 167 and 168 and of the intent of Congress in each instance is contained in the order of the Indiana Public Service Commission in the case of the joint petition of six utility companies.

The order noted in part (7 PUR3d p. 29):

The commission further finds that the stated purpose of the Congress of

The FPC Ruling in the Amere Case

THE FPC on June 30, 1956, affirmed its presiding examiner's ruling (discussed on pages 156-159) that natural gas companies, which elect to use the liberalized depreciation methods allowed under 1954 revisions of the Internal Revenue Code, may do so but should be required to account for and report to the FPC the amounts accumulated for federal income tax purposes. However, the FPC said that it was calling to the attention of Congress the question of whether the incentive provided by § 167 of the Internal Revenue Code "is necessary or desirable" for the natural gas industry, "or will, in the long run, be as beneficial to the public interest as is the present, traditional method of treating depreciation expense." In affirming the examiner, the FPC said that it could "find no legal difference between the problem now before us and that which was presented by § 124A (now § 168) of the Internal Revenue Code, pertaining to 5-year amortization of defense facilities pursuant to a certificate issued by a defense agency of the United States." The FPC also declared that a decision of the U. S. circuit court of appeals for the District of Columbia, in which its treatment of accelerated depreciation in the Panhandle Case (11 PUR3d 113) was fully approved, "is completely controlling in this matter." The proceedings arose from a petition filed by nine Columbia Gas System subsidiaries requesting a declaratory order relating to the methods of depreciation permitted by § 167 of the code. Commissioner Connole dissented.

the United States in enacting the new provisions of the code permitting accelerated depreciation is to encourage and stimulate new investment and economic activity through the construction of new facilities and the replacement of old facilities, with general benefits to the whole economy of the country, by providing funds for additional investment through the deferral of federal taxes on income which results from the use of such additional and alternative methods of computing depreciation for federal tax purposes.

The order went on to say (7 PUR3d p. 29):

The commission further finds *that the end result sought to be achieved by the federal government by means of the accelerated depreciation provisions of code § 167 is similar to that which motivated the enactment in 1950 of § 216, Public Law 814, 81st Congress (§ 124A*

> *of the Internal Revenue Code as then in effect),* concerning the amortization of the certified costs of emergency facilities over a 60-month period for federal tax purposes . . . (Italics supplied.)

Among commissions which drew analogies with respect to congressional intent and the similarities of §§ 167 and 168 were those of Maine, Missouri, Oklahoma, South Carolina, Virginia, and West Virginia. Needless to say some commissions thought differently as will be discussed later on in this article.

Treatment of Tax Deferral

ALL commissions, for accounting purposes, have prescribed normalized taxes, or, in other words, those taxes which would result from the use of straight-line conventional tax depreciation. With respect to rate making, two commissions prescribed normalized taxes and one ordered actual taxes to be used. The exception was the Pennsylvania Public Utility Commission which in two rate proceedings ordered a water utility and a gas utility to use actual taxes which resulted from the use of liberalized depreciation.

Rate Base

WITH respect to the rate base treatment of the accumulated tax deferral, only two commissions—Georgia and Wisconsin—have indicated that such reserves should be deducted from the plant account for rate-making purposes. In this connection, the Georgia order follows closely the order which the same commission issued with respect to accelerated amortization, dated December 23, 1952. It would appear that this order as it stands at present is a rate order as well as an accounting order in view of the following language which appears towards the bottom of page 3 of the order wherein the commission said (10 PUR3d p. 262):

> Wherefore, it is
>
> *Ordered* that on a tentative basis subject to revision after further study as contemplated in this order, Georgia Power Company shall account for the effect of liberalized depreciation deductions for income tax purposes under § 167 of the Internal Revenue Code of 1954 in the manner prescribed in Docket No. 467-U by order dated December 23, 1952.

The order on accelerated amortization, while it prescribes normalized taxes, also says that (97 PUR NS p. 94):

> *Ordered further* that in future rate proceedings before this commission whether they be on application of the company or on motion of the commission, claimed rate bases shall exclude amounts provided through the deferment of income taxes under § 124A of the Internal Revenue Code, unless otherwise ordered by the commission at that time.

In effect what this means is that the benefits of accelerated amortization would be partially or wholly denied, depending on whether the future rate proceedings would be instituted late or early in the life of the property subject to accelerated amortization.

WITH regard to the Wisconsin order, this is the only one where the deferral is charged to the annual depreciation accrual and credited to the depreciation

reserve. The company (Wisconsin Fuel & Light) proposed to use actual taxes resulting from the use of the sum-of-the-years-digits method and (12 PUR3d p. 255):

> Subject to your commission's approval, our company proposes to charge to depreciation expense upon its books in 1955 and thereafter an amount of depreciation equal to the sum of the annual depreciation at the rates certified in Docket 2-U-4138, plus the savings in federal income tax liability resulting from the use of the sum-of-the-years-digits for federal income tax purposes.

The company requested a ruling from the commission as to whether it would ". . . accept, for rate-making purposes, book depreciation as determined above."

The commission in its ruling said in part (12 PUR3d p. 256):

> We believe this procedure is reasonable. The company would have the cash benefit from the tax reduction. But, this cash could not be paid out in dividends but would have to be retained in the business and thus available for construction or other proper corporate purposes. The rates payable by customers would initially be unaffected by the procedure; although, in the long run, they would receive the benefits flowing from a lower rate base. In effect, the customer would pay more rapidly for the depreciation of the plant but would receive *pro tanto* credit through reduction in the rate base.

Again, it is clear that while the commission by this device was setting the stage for a partial or total disallowance of the benefits of liberalized depreciation, which Congress intended to confer on all taxpayers, the proposed accounting treatment is something of a mystery. If the depreciation accruals are supposed to measure the annual consumption of real capital in the rendition of service to the public and if the depreciation reserve is supposed to measure the loss of service value of such capital to date, how can additional charges be made to the annual depreciation accruals and corresponding credits be made to the depreciation reserve of wholly unrelated items? Under this kind of accounting it would be equally logical to deduct the injuries and damages reserve from the rate base merely to make the rate base smaller and consequently lower revenue requirements.

Rate Making

WITH respect to rate making *per se*, three commissions have issued or-

¶ "THE *real test of regulatory policy will come in the treatment of tax deferrals for rate-making purposes—for that is the controlling factor. The normalization of taxes for accounting purposes merely controls the disposition of existing income under existing rate levels. In rate making, depending whether actual or normalized taxes are used, the benefits of liberalized depreciation are given either outright to the ratepayer or temporarily retained by the utility.*"

ders on the treatment of liberalized depreciation as part of their general rate order. These are—Pennsylvania (two orders), Oklahoma and Indiana (one order each).

In the case of the Pennsylvania Public Utility Commission, it ruled, as part of its rate order, that accelerated tax depreciation be disallowed both for The Manufacturers Light & Heat Company of Pittsburgh, Pennsylvania, and also for the Citizens Water Company of Washington, Pennsylvania. Nearly identical language was used in both instances. The commission specifically based its disallowance on the fact that the liberalized tax provisions did not constitute a deferral of taxes but rather a permanent reduction of a company's tax liability and, secondly, that somehow utilities were different from the rest of the American industry to whom (and this was supported by the commission) Congress did intend to allow liberalized depreciation and the benefits flowing therefrom.

As to the question of the tax deferral, the commission said in part (13 PUR3d p. 221):

> Respondent and other proponents of normalization of the tax effect of accelerated tax depreciation for rate purposes usually rely principally on the argument that utility rates based on actual taxes paid would discriminate against future customers in favor of present customers and also that accelerated tax depreciation results in fact in a present-day "deferral" of taxes, which will be offset in future years when accelerated tax depreciation will be lower than straight-line depreciation. It is also said that "congressional intent" was to allow the lower tax, in effect, as a temporary government loan, at zero interest, to be paid back through higher taxes in the future.

The commission did not answer this contention directly. Instead it commented (13 PUR3d p. 221):

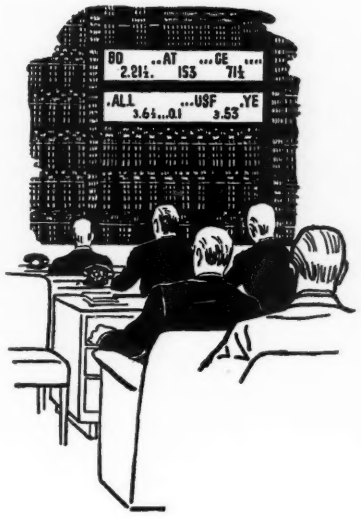
> 1. There may or may not be an actual tax saving or permanent deferral, depending upon the relative level of new plant construction in 1954 and each future year.
>
> 2. Under the extreme assumption that respondent will add no additional plant after 1954, actual taxes will be less than normalized taxes for the next seventeen years. This tax-saving period will be extended considerably by sizable plant additions . . .

It should be noted at this juncture that this argument of the commission was first propounded by Professor Eisner of Northwestern University, as well as by the Wisconsin and Washington commissions. The committee on accounts and statistics of the National Association of Railroad and Utilities Commissioners has also taken the position that liberalized depreciation for a growing property results in a permanent reduction of taxes and not a deferral. The committee did concede, however, that for single units of property there is a deferral. It is only when a *property grows* that the whole complexion changes and that somehow the deferral is transformed into tax forgiveness. In other words, what the committee's position, in effect, is that the whole is different from the mathematical sum of its parts.

This particular argument will be dealt with later in this article in a discussion of

Consistency in Depreciation Accounting

"If the depreciation accruals are supposed to measure the annual consumption of real capital in the rendition of service to the public and if the depreciation reserve is supposed to measure the loss of service value of such capital to date, how can additional charges be made to the annual depreciation accruals and corresponding credits be made to the depreciation reserve of wholly unrelated items? Under this kind of accounting it would be equally logical to deduct the injuries and damages reserve from the rate base merely to make the rate base smaller and consequently lower revenue requirements."



the Amere Gas Utilities Company order of the Federal Power Commission.

As to its second contention why utilities should not be allowed to normalize the tax deferral, the Pennsylvania commission said (13 PUR3d p. 222):

> . . . Congress allowed liberalized depreciation to all business enterprises but obviously its principal purposes [the general stimulation of the country's economy] are not particularly applicable to regulated public utilities whose price of product is "cost of service."

The two questions that might well be asked at this point are:

1. Aren't utilities supposed to be business enterprises?

2. What is the "cost of service"?

As regards (1), while the answer should obviously be in the affirmative, there is doubt that the utilities have always been treated, regulatorily, in such a way as to be called business enterprises. At the best, their earnings have followed neither the general financial expansion of American industry nor the added responsibilities of physical growth of service to the public.

As to what cost of service actually is, it would appear from reading this particular section of the order that the commission refers to costs *actually incurred* in the rendition of service. Certainly, the following sentence does not lend itself to any other interpretation when the commission said (13 PUR3d p. 222):

> Considering this issue in the light of the foregoing comments and conclusions, we hold that accelerated tax depreciation does in fact permit utilities to reduce income taxes and reduce their actual cost of service over an indefinite but extended period of years. . . .

ONE might get the impression at this juncture that the Pennsylvania commission, along with many other regulatory commissions, relied solely on actual costs as recorded on the books of account to arrive at a fair return on the present fair value of a utility's property. However, this is not the case. A study of recent cases shows that the Pennsylvania commission, beginning with the determination of a rate base, does not use book costs. In arriving at the adjusted net original book rate base (as one of the evidences of value to be used in arriving at the fair value rate base) it does not use the book depreciation reserve but rather a computed "reserve requirement." It annualizes a utility's revenues to make them conform with a purported year-end rate base, although how a fair value rate base can be determined as of a year-end, as distinguished from a middle-of-the-year, rate base should be rather difficult to explain. The commission normalizes its expenses, such as storm damage or extraordinary maintenance expense, all of which, particularly storm damage, have a habit of recurring with surprising frequency and regularity.

While some of these adjustments may have a fair basis, it raises the question why the same treatment should not be accorded to liberalized depreciation—rather than dismiss it on the grounds that the deferral is nothing but a permanent reduction in the level of taxation.

A DIFFERENT and sounder approach would seem to be that used by the Oklahoma Corporation Commission in its order with respect to the application of the Oklahoma Natural Gas Company for an increase in natural gas rates. The commission, after noting the similarities of the tax deferral features of §§ 167 and 168 of the Internal Revenue Code, went on to say in its order (12 PUR3d p. 295):

> (a) The public utility rate base of the company will be decreased annually by the amount of normal depreciation on public utility property including the public utility property on which the accelerated depreciation or amortization of emergency facilities is used for federal income tax computation purposes.
>
> (b) The expense deductions for depreciation on public utility property in rate determination matters shall be based on normal depreciation for all depreciable public utility property, including the public utility property on which accelerated depreciation or amortization of emergency facilities has been taken for federal income purposes.
>
> (c) The federal income tax computation shall be made for rate-making purposes, using normal depreciation as to all depreciable public utilities on which accelerated depreciation or amortization of emergency facilities has been taken for federal income tax purposes.
>
> (d) The earnings of the company for rate determination purposes (rate base and rate making) shall be computed on the basis of normal depreciation and any tax savings effected by the application of accelerated depreciation or amortization of emergency facilities shall not be included in such rate determination computations. *Any such sav-*

ings may be treated as income on the books of account of the company or placed in reserve, or may be partly treated as income and partly placed in reserve in such amounts and proportions and at such times as may be determined by the management of the company to be good business practice. (Italics supplied.)

It is *further ordered* that the company be required to keep memoranda balance sheet accounts for both the investment subject to accelerated depreciation and the depreciation reserve applicable to such investment; that under no circumstances will the amount of *accelerated depreciation be included in operating expenses or in reducing the rate base.* (Italics supplied.)

WITH respect to the Indiana order, this was on a petition of the Public Service Company of Indiana for a rate increase. The commission, in allowing normalized taxes, noted that in the original proceedings in this matter there was $2,609,000 which would be allowed as a charge against net operating income and would be so allowed in the current proceedings.

The commission went on to say that it (12 PUR3d p. 515):

. . . is not, however, unmindful that such accumulations provide large amounts of interest-free capital and in some way, depending on the magnitude of such charges, tend to satisfy requirements for new capital and, in an overall consideration of capital costs, have the general effect of reducing that capital cost. We are not of the opinion, however, in this cause that we should take the position that such charges to net operating income should be disallowed, for this would tend to set aside the stated desire of the Congress of the United States when it provided for such tax relief. . . .

It also noted that

. . . in the orders relating to the accounting of such matters hereinbefore referred to, we have restricted the use of such funds only to the extent that they may not be paid out in dividends to the common stockholders of the company. The funds generated by such deferrals are available for every other purpose, including the payment of excessive maintenance charges, the construction of plant, on which the utility could then seek to earn, as it does in this cause, higher rates, and for the payment of capital costs other than equity costs.

¶ *"THE 'as if' basis of adjusting taxes in rate case proceedings has, of course, been practiced by commissions for a long time. This has been done through the device of adjusting capital structures to what commissions consider to be a more favorable basis (I.E., higher percentage of debt), which results in a disallowance of taxes actually paid. This has been attempted in many instances but without much success when such commissions' decisions were taken to court."*

Utilities Not Electing to Use § 167

THERE is no specific record so far of any enforcing action having been taken by commissions. However, there are indications that regulatory consideration has been given to such situations as is witnessed by the Amere Gas (Columbia's petition for a declaratory order) Case where the following interchange took place between Columbia's counsel and Kenneth L. Smith, supervising auditor of the bureau of rates and gas certificates of the FPC:

> Q. Mr. Smith, will you turn to page 335, please. In line 24, you said, "Assuming that the Columbia management is obligated to reduce the companies' tax payments to the lowest possible legitimate amount . . ."
>
> I would like to ask, are you suggesting there that the Columbia management must elect to take the liberalized methods of depreciation?
>
> A. I think what I am suggesting is that if the Columbia companies' management had that elective, and failed to do so that they should be in a position to justify their failure to do so.
>
> If they expected to claim a higher cost in their cost of service because of that failure.
>
> Q. I am assuming, now, that is exactly what they had done, they used the straight-line method and thought they wouldn't take the election, and they came in here—I am asking is it your recommendation that for rate purposes the commission should fix the tax expense on the basis as if they had taken it?
>
> A. I think that possibility might exist in my recommendation. It would be up to Columbia management to justify their action, because they presumably would have failed to take advantage of paying lower taxes, and certainly it would be a very pertinent reason as to why they had gone in that direction, and the justification for it.

A SOMEWHAT similar position was taken by the state of North Carolina in the case of a petition of Southern Bell Company for an adjustment in rates. The state, in effect, contended that operating results should reflect theoretical reductions in income taxes by the company even if it did not adopt accelerated depreciation provisions.

The opposite view was expressed by R. E. Larsen of the Idaho Public Utilities Commission, who was quoted in PUBLIC UTILITIES FORTNIGHTLY in 1955 as saying[1]:

> . . . The law is optional, not compulsory. It is also questionable whether commissions could force utilities to depart from a straight-line method of depreciation for tax purposes when requiring it for book depreciation accrual purposes.

The "as if" basis of adjusting taxes in rate case proceedings has, of course, been practiced by commissions for a long time. This has been done through the device of adjusting capital structures to what commissions consider to be a more favorable basis (*i.e.*, higher percentage of debt) which results in a disallowance of taxes actually paid. This has been attempted in many instances but without much success when such commissions' decisions were taken to court.

[1]August 18, 1955, issue, p. 268.

The Special Tax Position of Utilities

"THE passage of the Internal Revenue Code of 1954 did not solve in one stroke the problems facing the regulated segment of American industry. Beset as it was by the problem of raising some $6 billion of construction expenditures for electric, gas, and telephone services, it faced the additional hazards of uncertainty as to the stand which the public utility commissions would take on the treatment of the tax deferral arising from the use of liberalized depreciation."

Among cases where utilities were successful in their court action were those of Indiana Pub. Service Commission *v.* Indiana Bell Teleph. Co. in the Indiana supreme court (1955) 11 PUR3d 209, 130 NE2d 467, Re Diamond State Teleph. Co. (1954) 48 Del 317, 3 PUR3d 255, 103 A2d 304; approved on this point by Delaware supreme court, 48 Del 497, 5 PUR3d 493, 107 A2d 786, Southwestern Bell Teleph. Co. *v.* Houston (Texas district court, Master's report, November 13, 1954). Permanent injunction granted by district court, April 12, 1955, which found it not necessary to pass on this point.

It should be noted that no court has ever reversed a commission for failing to adjust federal income taxes downward by assuming a hypothetical debt ratio.

It would seem from the foregoing that utilities could not be forced to adopt the liberalized methods if, in the judgment of management, such adoption was found inadvisable.

The Amere Gas Utilities Case

THIS case, which was the Columbia system's petition for a declaratory order before the Federal Power Commission, presents a number of interesting features:

1. The chief presiding examiner wrote the decision granting Columbia the benefits which it sought; namely,

normalized taxes, under § 167 but for accounting purposes only.

2. The petition did ask for normalization of taxes for rate-making purposes but the examiner did not rule on this point.

3. The examiner's decision overruled the contentions of the staff, that of counsel for the commission, and also those of the interveners who claimed that, in effect, liberalized depreciation resulted in a permanent reduction of taxes.

The principal arguments during the hearings revolved around the question whether liberalized depreciation resulted in a deferral or in a permanent reduction of taxes. In this connection, the testimony of F. Merrill Beatty, appearing as expert accounting witness for the Columbia Gas System, is of interest. The question asked by counsel for Columbia was as follows:

> Q. Mr. Beatty, there has been some indication by certain individuals writing on the subject that the use of the liberalized depreciation procedures permitted by the 1954 Revenue Code results in a tax reduction, and not a tax deferral, and that accordingly it would be contrary to sound accounting principles and to the provisions of the Uniform System of Accounts to record such tax reduction in a deferred credit account. Do you agree with this viewpoint?
>
> A. No. Those who advance this view seem to agree that when you deal with a unit of property, it is clear that a deferral of taxes would have to be paid back in the latter years of the life of such property. They contend, however, that when you deal with the property as a whole, the higher depreciation deduction on subsequent additions would offset the smaller depreciation deductions in the later years of the life of the property now in existence.
>
> In other words, they argue that the whole is different from the sum of its parts. I think it is clear from Mr. Mann's testimony that in connection with the accounting mechanics the Columbia companies intend to account for the property additions by years, and relate the tax deferral to property by years of installation.

On further cross-examination, Mr. Beatty said in part:

> . . . the mere fact that you may in the future create a new liability that happens to be larger than an existing liability, is no reason in the world why an existing liability should not be recorded.
>
> We have that effect in accrual accounting in many situations. The mere fact that a long-term debt may be refunded thirty years from now doesn't mean that you don't record the long-term debt in the interim.
>
> Under accrual accounting, we have accounts payable set up all the time. We pay these accounts payable and you set up new accounts payable, but that doesn't mean that because new ones are there and that you have always got accounts payable, that you don't record it.

ANOTHER and perhaps better analogy is the book depreciation reserve of the class A and B electric utilities which rose from $3,859,085,000 in 1948 to $5,906,470,000 in 1954. Nobody would suggest that by 1954 the amount shown for 1948 was still lodged intact in the 1954 figure

and that during the six-year period no charges were made to the reserve. In fact, while the reserve increased by more than $2 billion, or 53 per cent, because of the growth of the companies, charges in the amount of approximately $1.3 billion were made during this period. There were no accelerated methods used and straight-line depreciation, or variants thereof, was the rule rather than the exception and yet, because of growth of the business and increasing additions to the reserve, the foregoing charges were completely submerged. The reason, of course, is obvious; namely, that plant was retired but that the additions to plant were greater than the retirements. An identical situation would, of course, exist with a liberalized depreciation. The tax deferral whether it be lodged in a special tax reserve or in a restricted or appropriated surplus would be charged and corresponding credits would be made to, say, a subaccount of 507, Federal Income Taxes, as the tax liability of individual units of property subject to accelerated depreciation increased over and above that resulting from straight-line depreciation. The proponents of the tax forgiveness theory would make it appear in their argument that there would be no charges to the reserve and no credits.

Analysis of Summary of Orders

AN analysis of the summary of orders contained in the appendix shows that, to date, 24 commissions (including the Federal Power Commission) have issued 48 orders with respect to liberalized depreciation. Of these orders, 43 were for accounting purposes only, one (Georgia) was both for accounting and rate-making purposes and four orders were for rate-making purposes only and were actually part of rate proceedings.

Of the accounting orders, two were denials of petitions by companies to use liberalized methods of depreciation. This was in the case of Cincinnati Gas & Electric Company and the Ohio Power Company, but in both instances subsequent orders were granted which permitted liberalized depreciation with normalized

¶ SINCE *text of the accompanying article was completed, three more state commissions have ruled similarly on the accounting treatment for liberalized depreciation. The Kansas commission, in the Kansas City Power & Light Case; the New Mexico commission, in the General Telephone Company of the Southwest Case; and the Virginia commission in the General Telephone Company of the Southeast Case. All provided that depreciation for properties under the 1954 Internal Revenue Code should be accounted in the same manner as other properties not subject to liberalized depreciation deductions. The difference between such tax accounts and actual tax payments were ordered, in the first two cases, to be placed in a special reserve for deferred federal income taxes. The Virginia commission, following its own earlier precedent, required crediting to a surplus restricted for future federal taxes on income.*

taxes. In the case of Cleveland Electric Illuminating, the order of December 29, 1955, superseded the tentative order of September 13, 1955. There are, as of this date, then 40 effective orders of which 19 prescribed a restricted or appropriated surplus method in accounting for the tax deferral, 20 prescribed a tax reserve method, while one—namely, the Amere Gas Case—no definite accounting ruling has as yet been issued but there is reason to believe that it will also prescribe a reserve method. The Georgia order, which is both for accounting and rate making, prescribes the tax reserve method.

It is of interest to note in this connection that while Connecticut has issued no orders with respect to liberalized depreciation it has, in effect, ruled that since the prescribed system of accounts does not permit taxes to be normalized, only actual taxes can be used by utilities using liberalized depreciation and that consequently no specific order is needed.

Conclusions

THE contentions both pro and con of of the normalization of taxes for the regulated segment of American business have, it would appear, missed the fundamental purpose of liberalized depreciation:

1. The intent of Congress which included *all segments* of American industry was to promote economic expansion by the creation of an atmosphere which would induce the public to invest, to create jobs and security, and in turn to let industry earn a fair return for the risks of enterprise.

2. Congress stated clearly that the accelerated methods were merely *a deferral of taxes and that the ultimate tax liability would be the same whether the accelerated methods or the straight-line methods were used.*

3. The opponents of the liberalized methods of tax depreciation for the utility business have on the one hand admitted that (1) and (2) above are correct but have argued that somehow utilities are different and that because of the so-called cost-of-service concept utilities should receive treatment which is different from that accorded to unregulated enterprise.

Since (1) above is not seriously in dispute, then the question can well be asked as to whether (2), wherein congressional committees have stated unequivocally that the liberalized methods are merely a deferral of taxes and not a forgiveness, can also be disputed. To do so would certainly put the technical knowledge and understanding of the problem of tax economics of the House Committee on Ways and Means in a somewhat inferior position to that of certain regulatory commissions who claim that the deferral is nothing but a thinly concealed tax reduction. If Congress had in mind the granting of a tax reduction to the public generally, it would have used the more direct method of reducing taxes rather than reducing customer utility bills, as contemplated by those who would make a utility use actual taxes.

WITH respect to (3) above and the so-called cost-of-service concept wherein actual costs, taxes, and other items are to be used, come what may, the regulatory posture, whether it be the FPC or certain state commissions, can hardly be sustained

Taxes Postponed But Not Forgiven

"THE proponents of normalization have been equally weak in the arguments. Insufficient stress has been laid on the fact that according to congressional committees, use of § 167 [of the Internal Revenue Code] results merely in a deferral and that such a deferral means a future tax liability. If then, according to Congress, there was no forgiveness of taxes . . . the realities of the situation would certainly require normalized taxes for rate-making purposes in order to spread the burden of taxes equitably between the customers of today and those of tomorrow."

under close scrutiny. Costs have been adjusted or normalized downward and revenues have even been created by imputing higher rates of return to customers who allegedly did not pay the average rate of return earned by all customers. In the case of Panhandle Eastern proceedings, in Opinion 269, the staff of the FPC adjusted both the tax depreciation rate and the book depreciation rate downwards, the result of which was, of course, to reduce the cost of service and, hence, of the rates to be paid to Panhandle. It is a little difficult to see how that position can be reconciled with the arguments made by the staff of the Federal Power Commission in the Amere Gas proceedings. All of the foregoing are merely devious exercises in the art of regulatory bookkeeping, and consequently there is little, if any, sanctity to the commission's claim in the use of "actual costs."

The previously mentioned case of Indiana Bell Telephone Company, the Diamond State Telephone Case, and the Southwestern Bell Telephone Company *v.*

Houston (all recent cases) in which the regulatory authorities by the simple process of imputing higher debt ratios than actually existed, presumed a reduction in taxes below the amounts paid, are interesting collateral studies in the so-called "pragmatic adjustments" in the discretion of a commission's rate-making powers. Additionally, the question could well be asked as to when tax regulations applicable to all taxpayers became an instrument of control in the accounting and rate-making procedure of public utilities.

ANOTHER assumption of tenuous validity that has been made is that § 167 is here in perpetuity and that, at least in that particular respect, Congress will never make any changes. Of course changes have been made innumerable times in the provisions of the Internal Revenue Code and even quite recently there was a move afoot in the administration to abrogate the liberalized depreciation provisions of § 167.

The proponents of normalization have been equally weak in their arguments. Insufficient stress has been laid on the fact that according to congressional committees, use of § 167 results merely in a deferral and that such a deferral means a future tax liability. If then, according to Congress, there was no forgiveness of taxes (and one is hard put to believe that there is forgiveness—the only thing that is certain is death and taxes and certainly not forgiveness) the realities of the situation would certainly require normalized taxes for rate-making purposes in order to spread the burden of taxes equitably between the customers of today and those of tomorrow.

A final word of warning is in point. The real test of regulatory policy will come in the treatment of tax deferrals for rate-making purposes—for that is the controlling factor. The normalization of taxes for accounting purposes merely controls the disposition of existing income under existing rate levels.

In rate making, depending whether actual or normalized taxes are used, the benefits of liberalized depreciation are given either outright to the ratepayer or temporarily retained by the utility.

IT remained for Chief Presiding Examiner Edward B. Marsh to put the whole matter in its clear and persuasive perspective when he said in his decision of the Amere Utilities Case that

> If depreciation for *book and rate purposes* were continued on a straight-line basis but liberalized depreciation *were taken for tax purposes,* the amounts chargeable to tax expense would be less and, under such circumstances, there might result a reduction in rates. But in that instance the congressional purpose would be completely defeated.

This writer feels this is one of the fairest and most statesmanlike pronouncements that has ever been delivered from a regulatory bench and should serve as a model for other commissions who have yet to deal with the problems of liberalized depreciation, especially in rate-making proceedings.

SUMMARY OF ACCOUNTING AND RATE-MAKING TREATMENT OF LIBERALIZED DEPRECIATION BY VARIOUS REGULATORY AUTHORITIES FOR THE UTILITY INDUSTRY

			Accounting Disposition		
State	*Company*	*Date of Order*	*To Income*	*To Balance Sheet*	*Comments*
Alabama	Alabama Power Co.	2/28/55	Sub a/c of 507	Restricted Surplus	Same accounting treatment as commission prescribed for accelerated amortization.
	Mobile Gas Service Corp.	8/16/55	Sub a/c of 507	Restricted Surplus	Accounting order only. Commission noted that accelerated depreciation results only in a deferral of taxes and not in a reduction of taxes.
Colorado	Public Service Co. of Colorado, 12 PUR3d 158	1/ 5/56	Sub a/c of 507	Restricted Surplus	Accounting treatment only. Commission states that liberalized depreciation may actually result in permanent reduction and not deferral of taxes as claimed dissent by Commissioner Thompson with respect to use of restricted surplus. According to him a tax reserve would have been more appropriate.
	Colorado Central Power Co. 12 PUR3d 158, 163	1/16/56	Sub a/c of 507	Restricted Surplus	Substantially same language as above.
	Southern Colorado Power Co. 12 PUR3d 158, 163	1/16/56	Sub a/c of 507	Restricted Surplus	As above.
Florida	Gulf Power Co. Tampa Electric Co. 10 PUR3d 273	9/ 1/55	Sub a/c of 507	Restricted Surplus	This order, which supersedes Accounting Bulletin No. 1 of May 17, 1955, follows the same accounting treatment as prescribed for accelerated amortization.
Georgia	Georgia Power Co. 10 PUR3d 259	8/16/55	Sub a/c of 507	Tax Reserve	This order is described as tentative pending further commission study of whether the claimed tax deferral is not in effect a permanent reduction of taxes. Accounting treatment is same as prescribed for accelerated amortization.
Illinois	Commonwealth Edison Co.	6/13/55	Sub a/c of 507	Tax Reserve	Order specifically prohibits any transfers being made from the reserve to surplus for payment of dividends. Also, order makes mention that it is for accounting purposes only.
Indiana	Home Telephone & Telegraph Co., The	10/14/55	Sub a/c of 305	Appropriated Surplus	Accounting purposes only. Commission mentions congressional intent to stimulate economic activity and investment by the deferral of taxes.
	Joint Petition of Six Companies, 7 PUR3d 26	12/23/54	Sub a/c of 507	Appropriated Surplus	Order mentions specifically, the intent of Congress in enacting the liberalized tax provision and that the end result to be achieved is same as for accelerated amortization. The accounting treatment is identical as the commission's order for accelerated amortization.

SUMMARY OF ACCOUNTING (*Continued*)

State	Company	Date of Order	Accounting Disposition To Income	Accounting Disposition To Balance Sheet	Comments
Indiana (Continued)					
	Natural Gas Service Co., Inc. 12 PUR3d 365	2/10/56	Charge "Provisions for Deferred Federal Income Taxes"	Appropriated Surplus	Substantially same order as earlier order re joint petition of six companies issued on December 23, 1954. Commission said that in principle there was no difference between §§ 167 and 168 of the code.
	Public Service Co. of Indiana, 12 PUR3d 509	3/ 9/56	Normalized Taxes for Rate Purposes		Commission mentioned intent of Congress to stimulate economic expansion and that this could only be achieved if taxes were normalized. Commission, however, objected to petitioner's use of the term future liabilities when it referred to taxes arising from the use of § 167.
Kentucky	General Telephone Co. of Kentucky	1/31/56	Provision for Deferred Income Taxes	Tax Reserve	Accounting order only.
	Kentucky Power Co.	8/16/55	Sub a/c of 507	Restricted Surplus	Accounting order only. Not applicable to rate proceedings.
	Southern Continental Telephone Co.	11/15/55	Provision for Deferred Income Taxes	Tax Reserve	Accounting order only.
	Western Kentucky Gas Co.	11/15/55	Provision for Deferred Income Taxes	Tax Reserve	Accounting order only.
Louisiana	All Utility Companies	6/13/55	Sub a/c of 507	Tax Reserve	Order is identical with one issued by the commission on February 25, 1953, with respect to accelerated amortization.
Maine	Bangor Hydro-Electric Co.	1/12/55	Sub a/c of 401B, "Taxes Electric"	Tax Reserve	Order mentions similarity between new liberalized methods of tax depreciation and prior order issued to Central Maine Power Company with respect to accelerated amortization.
	Maine Public Service Co. 12 PUR3d 349	1/26/56	Sub a/c of 401B	Tax Reserve	Commission mentioned intent of Congress to promote economic expansion through the use of the tax deferral under § 167.
Massachusetts	All Utility Companies	Recently	Sub a/c 551 "Taxes Assignable to Elec. Operations"	Tax Reserve	This is not a formal order. Instructions are that they use the same accounting procedure as the DPU ordered for accelerated amortization on December 29, 1953.
Michigan	Consumers Power Co.	8/ 8/55	Sub a/c of 507	Tax Reserve	Accounting order only. Original order with respect to accelerated amortization required a re-

					stricted surplus method of accounting for the deferral of taxes.
	Detroit Edison Co.	11/ 5/54	Sub a/c of 507	Tax Reserve	Accounting order only. Order mentions similarity between new liberalized methods of tax depreciation and prior order with respect to accelerated amortization.
	Indiana & Michigan Electric Co. 11 PUR3d 470	9/12/55	Sub a/c of 507	Appropriated Surplus	Accounting order only. Commission disagreed with company's proposal but allowed it because prior order by Indiana commission gave company appropriated surplus method of accounting for liberalized depreciation.
Missouri	Kansas City Power & Light Co. 12 PUR3d 472	2/28/56	Sub a/c of 507	Tax Reserve	Accounting order only. The commission points out the similarity between accelerated amortization and liberalized depreciation and the fact that the company can defer the issuance of new securities for purposes of expansion if it uses the liberalized tax depreciation.
New Hampshire	All Public Utilities	1/26/56	Sub a/c of "Taxes"	Restricted Surplus	Accounting order only.
New Jersey	Public Service Electric & Gas Co.	12/ 8/55	Sub a/c of 507	Restricted Surplus	Tentative authorization. Any tax reduction to be expanded in plant facilities. No charges other than those authorized shall be made to restricted surplus. Staff position casts doubt on the deferral aspects of liberalized depreciation.
Ohio	Cincinnati Gas & Electric Co.	9/12/55			Company proposed restricted surplus method of accounting. Commission disallowed application on the grounds it ". . . could be detrimental to sound public utility regulation . . ." Order inferred that the tax deferral was really a permanent reduction in taxes.
	Cincinnati Gas & Electric Co.	3/ 6/56	Sub a/c of "Taxes"	Tax Reserve	Accounting order only. This order supersedes the commission's denial of September 12, 1955, of the use of accelerated depreciation to the same company.
	Cleveland Electric Illuminating Co. 11 PUR3d 465	9/13/55	Charge to "Provision for Special Reserve"	Special Reserve	Order heavily qualified in language. The commission noted that it ". . . reserves for further determination the particular other liability account, if any, to which such 'Special Reserve' shall be transferred."
	Cleveland Electric Illuminating Co. 11 PUR3d 467	12/29/55	Charge (or Credit) to "Provision for Future Federal Income Taxes"	Tax Reserve	Accounting order only. The commission noted significantly that while this order is not binding in rate proceedings ". . . it is quite apparent that the accounting procedure could affect, at least by inference, a future rate proceeding."

SUMMARY OF ACCOUNTING (*Continued*)

State	Company	Date of Order	Accounting Disposition To Income	Accounting Disposition To Balance Sheet	Comments
Ohio (Continued)	General Telephone Co. of Ohio	3/ 6/56	Charge for "Provision for Future Federal Income Taxes"	Tax Reserve	Accounting order only.
	Ohio Consolidated Telephone Co.	2/24/56	Sub a/c of 507	Tax Reserve	Accounting order only.
	Ohio Power Co. 10 PUR3d 276	9/ 9/55			Company proposed restricted surplus method of accounting. Commission disallowed application on the grounds it ". . . could be detrimental to sound public utility regulation . . ." Order inferred that the tax deferral was really a permanent reduction in taxes.
	Ohio Power Co.	4/ 6/56	Charge for "Provision for Future Federal Income Taxes"	Tax Reserve	Accounting order only.
Oklahoma	Oklahoma Natural Gas Co. 12 PUR3d 293	6/29/55	Normalized Taxes for Rate Purposes		The commission noted that "any such savings may be treated as income on the books . . . of the company or placed in reserve . . . as may be determined by management . . . to be good business practice."
	Public Service Co. of Oklahoma, 12 PUR3d 296	7/18/55	Sub a/c of 507	Restricted Surplus	The commission, in its findings, noted the economic similarity between accelerated amortization and liberalized depreciation and that consequently the accounting treatment should be the same.
Pennsylvania	Manufacturers Light & Heat Co., The	1/ 3/56	Actual Taxes to Be Used		The commission disallowed the proposed normalization in a rate proceeding. While admitting congressional intent with respect to accelerated depreciation, it said it was not applicable to utilities whose prices are based on cost of service. It also noted that "We hold also that accelerated tax depreciation no more justified normalizing allowable taxes than do some past tax depreciation practices of many utilities, or than do other provisions of the income tax law which have always permitted radical differences between tax deductibles of any utility and established utility and industrial accounting practices."

	Citizens Water Co. of Washington, Pa., The, 13 PUR3d 189	12/12/55	Actual Taxes to Be Used		Substantially same language as above.
South Carolina	South Carolina Electric & Gas Co.	12/20/55	Sub a/c of "Taxes"	Restricted Surplus	Accounting treatment only. Commission draws analogy between provisions of § 167 and accelerated amortization of § 168.
	South Carolina Generating Co.	12/20/55	Sub a/c of "Taxes"	Restricted Surplus	Same as above.
	South Carolina Natural Gas Co.	12/20/55	Sub a/c of "Taxes"	Restricted Surplus	
	South Carolina Continental Telephone Co.	12/20/55	Sub a/c of 305	Tax Reserve	Substantially same language as above.
	Sumpter Telephone Co.	12/20/55	Sub a/c of 305	Tax Reserve	As above.
United States of America (Federal Power Commission)	Amere Gas Utilities Co. (Columbia Gas System)	2/29/56	Companies to retain benefits of liberalized depreciation Annual Report Form 2 to be amended to provide for tax deferral resulting from liberalized depreciation		Accounting order only. The petitioner had also asked for rate treatment of the deferral. The company is to keep ". . . such subsidiary accounts . . . as will permit identification of the annual additions to plant and the amounts accumulated as tax reserve applicable to such additions." Chief presiding examiner issued order which overruled staff opinion and interveners.
Vermont	All Public Utilities	3/ 5/56	Provisions for Future Income Taxes	Reserve for Future Income Taxes	Temporary order—accounting only.
Virginia	Appalachian Electric Power Co.	6/ 6/55	Sub a/c of 507	Restricted Surplus	This order followed the West Virginia order for the same company and is identical with it. Commission noted that intent of Congress was to promote economic activity by making funds available through the deferral of taxes arising from the liberalized provisions of the 1954 Internal Revenue Code.
West Virginia	Appalachian Electric Power Co.	5/26/55	Sub a/c of 507	Restricted Surplus	(Same as order of Virginia Corporation Commission.)
Wisconsin	Wisconsin Fuel & Light Co. 12 PUR3d 254	1/27/56	Depreciation Expense	Depreciation Reserve	This method of recording "booking" tax depreciation was suggested by the company. There is a strong inference that while this is an accounting order the commission would deduct the tax deferral from the rate base.

How Much Reclamation Do We Need?

With the forthcoming political campaign joining issue on the subject of the administration's "partnership" policies and the charge of the political opposition about "give-away" practices in dealing with our natural resources, this author has made a timely contribution.

By T. N. SANDIFER*

One important administration policy accent has been on "multipurpose" and "partnership" federal reclamation-power projects. The political opposition has gone even further in criticizing the administration for failure to make "new starts" or more and bigger reclamation-power projects. On top of this Congress has just passed "soil bank" legislation to pay farmers to take existing tillable acreage out of production—in effect putting more acres into "moth-ball" nonproductive status while millions are spent to bring more new acres into additional production via reclamation. How can such anomalous and divergent objectives be reconciled?

It is by no means certain that the much-discussed soil bank program enacted by the present session of Congress will ultimately remove from production indefinitely, some 40,000,000 acres of crop-producing land, but if it should, the fact evokes some wonderment at the way we do things.

If we assume a farm of 200 acres, which would be a fair-sized family farm, we get the equivalent of 200,000 farms being retired from production, on the basis of 40,000,000 acres going into the soil bank and its related programs. It just happens that 200,000 theoretical farms is less than twice the number of the equivalent-sized farms that have been added to the nation's overabundant crop land through reclamation projects in the last half-century or so!

Put that way, and a number of people are beginning to do so, it appears that this session of Congress has appropriated money, not for a soil bank, but, in practical application, to take back from crop

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use the acreage equivalent of the 134,000 farms which reclamation programs have added to the country's agricultural plant in its whole life, plus some 64,000 other farms likewise not needed.

RECLAMATIONISTS, of course, will be, and, as a matter of record have been, the first to deny any conflict between the soil bank idea and the multibillion-dollar projects which they have annually brought before Congress. They simply do not concede any anomaly between moth balling a substantial part of the nation's going farm plant, even plowing under growing crop land, and adding more acreage from otherwise genuine soil reserves now fallow.

The soil bank conception was less than a month old when the Reclamation Bureau of Interior Department proclaimed pointedly that the irrigated lands in federal reclamation projects "do not contribute significantly to national crop surpluses."

When Reclamation said that, the idea of moth balling a part of our burgeoning crop production had only tentatively begun circulating. As nearly as can be determined, it was first put forward by the nonpartisan, nonprofit Committee for Economic Development. Whether the idea sprung from an earlier, and equally authoritative, source, the President's Material Policy Commission, is not clear, but the latter group, in what was colloquially termed the Paley report, had likewise critically eyed our surplus crop land.

THE Paley report, dating back to the Truman administration, said, among other references to the growing problem of crop surplus:

> It seems unlikely that the nation will need to expand to any large extent the total acreage now in farms.

Needless to say, this is contrary to reclamationist doctrine, and very evidently the comment had no immediate impact on reclamation activity. The Paley report was made in 1952. In the fiscal years 1954 and 1955 projected new acreage resulting from reclamation represented an equivalent 900 new farms, again on the basis of 200 acres per farm. It seems reasonable to assume that 900 farms in acreage parity going into soil reserve are therefore already canceled out by reclamation.

During the years that these new farms were coming into operation, it may be recalled, the government was wrestling with basic crop surpluses that in some commodities represent a five years' supply. Only the expenditure of literally billions of taxpayers' money kept some of these excess millions of tons of unused crops from wrecking the economy. And those surpluses are still explosive.

IT is not to be wondered that Secretary of Agriculture Benson, in an apparent comment on some power or reclamation project, was quoted in the *Kansas City Star* of October 11, 1955, as remarking that "This is not the time to place a big new block of land in production."

Wisely perhaps, he did not elaborate, and the statement never appeared elsewhere, or in a formal departmental record. Because such views, to the hard-shell reclamationist, are close to illiteracy. Benson, in short, could not have read their literature. For the idea of adding new acreage each year is usually justified by the claim, not disputed here either, that

the country is annually losing 4,000,000 acres, more or less, to urban development.

This would be land taken out of farms bordering cities, and converted to suburbs, overflow industrial use, and other such purposes. Reclamationists can cite other statistics also; dazzling figures on the dollar value of new crops added—always, of course, crops not in surplus—value of freight generated, mail-order goods bought, so to speak, and other benefits stemming from opening new land frontiers.

Well, maybe. Missing from this picture somehow are equally or even more striking data on the millions of horses that are no longer on the farm, the millions of tons of fertilizer that today make crops so lush that canny farmers have been known to take acreage allotments from the government and still make boom-time crops which the same government has to take up with taxpayers' dough. Also store, with taxpayers' money, and, in some cases, in surplus ships that taxpayers' money has bought.

Also missing are the statistics on how much farm production one man attains today, using mechanization, that formerly required a large-sized, big-eating farm crew. More significantly, there are missing from the reclamation story the figures from the Agriculture Department's census of farm population, showing a wide expanse of farm migration to city work. A lot of this migration, this actual reduction in farm numbers, has occurred in reclamation territory.

It is never wise for a layman to argue with a professional, but he can be forgiven possibly for raising some questions. The Reclamation Bureau gives as some of its figures for the Central Valley project in California, that the water conserved by this one project is enough to supply fully adequate irrigation for the equivalent of well over 6,000 new farms.

We have in the soil bank program, an answer as to how badly the Agriculture Department, to say nothing of the taxpayers, need 6,000 new farms. But, says Reclamation, "such a number of farms would require an annual investment in more than 8,000 new tractors, 7,500 new trucks, 1,000 hay balers, spray outfits, combine harvesters, etc.," all of which no doubt is tantalizing to Detroit right now.

But note, Reclamation says "such a number would require" and that the same report says Central Valley water is actually being used already for the farms now in existence there. What these farms are buying is not stated, but more important is the question as to what the farmers on those hypothetical 6,000 new farms would be doing with all those new tractors,

¶ *"Late in 1955, the Reclamation Bureau reckoned that the annual crop production on reclamation projects was nearing the billion-dollar level. Granting that a large part of this output is in nonprice-supported crops as Reclamation Bureau claims, the combined return from all these projects would require close to nine years to pay the government what it now has tied up in price-supported crops."*

combines, harvesters, and hay balers.

Doing that is, to Benson down at the Agriculture Department, or certainly to the taxpayer who would have to buy what those busy agriculturalists would be raising, beyond much doubt. It is perhaps just as well that those 6,000 farms are hypothetical. Come to think of it, is all that tractor, hay baler, and combine market also hypothetical?

But it is not a figure of statistics that there are, on the ranges, today some 97,500,000 head of cattle where there were already over 76,000,000 not quite ten years ago. That is a lot of sirloin and rib roast, certainly. Mouth-watering no doubt, to those who remember the days of the red points. But that record number of beef cattle is breaking the hearts of a lot of small-time cattle raisers.

Their spokesmen in Congress fought to the last to get depleted range-grazing lands included in the benefits of the soil bank, but to no avail. Not only that, the same Congress raised the support level for feed grains in the face of a showing that the livestock industry prices are averaging only around 70 per cent of parity.

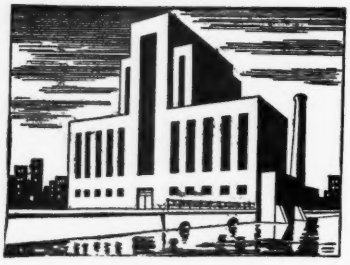
WHICH brings us back to Reclamation's enthusiastic catalogue of what it is doing. The bureau speaks lovingly of "the tremendous forage resource needed in the production of livestock," and of "the traditionally important feed and forage" contributions of the reclamation lands to livestock raising. No doubt. And, for every acre of new forage crop there will probably be some fellow willing to take the plunge into cattle raising, thus aggravating the going cattleman's problem.

Not only his, but our problem, because the situation got so bad a few months back, as a result of drought—yes, lack of water—that the government had to step in with taxpayers' money and buy up surplus heads for such uses as foreign aid, school lunch, etc. Reclamation programs bring in water, of course, and, according to the reclamationists themselves, it is water badly needed—in that area. How much of it gets to other, more established range and farm lands is another question. In other words, assuming the water is in constant supply in a given total amount, what does additional diversion of it to new farms, via irrigation, do for older farms already suffering the lack of it?

There is no question that the additional crops, the additional dairy herds, or other potential or actual surplus production, add nothing to the peace of mind of the going producer, beset by accumulated stocks from the past.

IT remains to be shown how much, if any, reclamation-added land will go into the soil bank. But assuming that the government conducts its operation for as little as $10 an acre, and nobody but an optimist would so assume, 40,000,000 acres spells $400,000,000. Benson would be happy to trade that $400,000,000 for what he is spending now, and so will we. But as it now appears, we may not attain the 40,000,000 acres for some time. And while we are trying to do it, busy reclamation boys will be adding other acres to the load.

Which recalls another plaint by Benson that while the nation's agriculture was, and is, "staggering under the greatest farm surpluses" in its history, "for each bushel equivalent sold out of Com-



Soil Bank and Reclamation Projects

"RECLAMATIONISTS . . . *will be, and, as a matter of record have been, the first to deny any conflict between the soil bank idea and the multibillion-dollar projects which they have annually brought before Congress. They simply do not concede any anomaly between moth balling a substantial part of the nation's going farm plant, even plowing under growing crop land, and adding more acreage from otherwise genuine soil reserves now fallow.*"

modity Credit Corporation stocks, approximately one and a half bushels have replaced it." This suggests further examination of Reclamation's share of the price support problem.

As the Reclamation Bureau points out, in its own defense, 86 per cent of the investment of the Commodity Credit Corporation in price-supported commodities on September 30, 1955, was in wheat, upland cotton, corn, tobacco, and rice. Of these crops grown on western reclamation projects in 1954, which is the latest year quoted by the bureau, wheat represented less than 2 per cent of U. S. production, upland cotton 6½ per cent, corn about a third of 1 per cent, and the amount put under price support varied from about 5 to 50 per cent of the production of these crops.

BUT percentagewise, and as of 1954, these figures do not alarm. But consider that, as of early this year, the government was holding, at taxpayer expense, carry-over stocks of wheat that were mounting to exceeding 1 billion bushels, and, at the end of this season, would have 14,000,000 bales of cotton, or more than a full year's domestic and export requirement of cotton. There is a nice question as to how much more wheat, and how much more cotton, do we need to bring into production?

Or still another question, how much more cotton acreage or wheat acreage will be added by present reclamation programs, while the government is trying to sell a reluctant midwest farm population the idea that they ought to retire some millions of their wheat at $10 per acre annually.

Or in the already politically roiled-up southern cotton belt, that farmers there ought to pull out of the cotton-growing fields, although they can read about *new*

reclamation lands that will raise the very cotton they are asked *not* to grow! Quite outside of the situation that as the soil bank is now set up, the southern growers will have their crops in the ground, growing cotton in competition with the newer western areas, but with the prospect that there will be no soil bank payments for them this year.

There only hope will be either to plow up or ask continued price support for the surplus, and western cotton lands already in production will be growing part of that surplus. Never mind the technical difference in variety of cotton; it all adds to the surplus.

Also, how much is 2 per cent of a billion bushels of wheat? And in the face of Benson's statement that the government's carry-over of feed grains likewise will be at a record high, the Reclamation Bureau's emphasis that its lands have grown largely feed crops used for range-land cattle is subject to broad question. The term is put that way because Reclamation claims that much of its feed crops is used in the area.

But livestock interests are plagued today by fantastic herd numbers as shown, which in turn are, to a great extent, an outgrowth of the oversupply of feed in sight.

To a drowning man, and the government can be roughly likened to one, how much more water is too much?

LATE in 1955, the Reclamation Bureau reckoned that the annual crop production on reclamation projects was nearing the billion-dollar level. Granting that a large part of this output is in nonprice-supported crops as Reclamation Bureau claims, the combined return from all these projects would require close to nine years to pay the government what it now has tied up in price-support crops.

As of March 31, 1956, the government had buried in such commodities close to $9 billion. This is just short a billion of the total amount stated by the Reclamation Bureau as the combined value of all crops produced on reclamation projects since 1906. The bureau estimates the cumulative income tax revenue since 1906 down to 1953 from irrigation farmers and related towns and villages dependent, primarily on the projects, as $800,000,000. This would equal somewhat more than the government would pay for two years' storage of its surpluses, at the estimated cost of $1,000,000 per day.

THE bureau estimates the aggregate receipts from corporation and excise tax revenues collected in the same 15 project areas at $500,000,000, over the same years. This is short by nearly $42,000,000 of the loan total of the price-supported wheat held by CCC on March 31, 1956, and is less than half of the total loan total of upland cotton under price support loan as of March 31, 1956. It would have been short by over $6,500,000 of the amount the government lost, net, last year to March 31st, on its price-support operations, and compares with the total loss for fiscal year 1956 alone, through March 31st, of $688,974,731. Which is a way of saying that every acre of added crop land under present conditions is a potential liability to the taxpayer.

Needless to say, this is lost on the reclamationist, and no doubt some of them will take vehement exception to such an approach. Their view is typified in the claim by the Reclamation Bureau that the cumulative return to the Treasury from

the areas of the 69 projects or project divisions receiving water under the federal reclamation program in 1953 was over $3.1 billion, and is greater than the total reclamation expenditures from 1902 to 1953. They point out that in addition will be the return from repayments to the government by the water users.

"Long after the project costs have been repaid fully through the sale of electric energy and operations of repayment contracts, the new wealth created through the federal investment in the development of its own resources will be reflected in a continuing flow of tax revenues from the project areas and from the rest of the nation, as well," the bureau states.

ALL right, but that $3.1 billion is still less than the combined total of wheat and upland cotton, for instance, which the CCC was carrying as of March 31st, with more coming. It is short by a wide margin of the approximate $20 billion which the federal government has spent in just the past twenty years for agricultural aid. This seems a pertinent comparison because it may be a fair question how much government aid southern cotton farmers would have needed these past two decades without the added competition from new western growers, or, on another basis, consider what the truck vegetable growers in the older sections might have realized from their crops if these new producing areas had not cut in.

For instance, the Gila, Yuma, Salt river, and Boulder Canyon projects alone, according to the Reclamation Bureau, produce over 45 per cent of winter, and 42 per cent of spring, lettuce; 85 per cent spring carrots, and "sizable portions" of other early truck crops. These all used to be heavy money-makers for growers in the deep South and other warm-growing areas. They may be now, but the added competition of the new reclamation land has added nothing to their joy.

Or consider another aspect; the government has waged a campaign for years to get farmers in the Southeast, for instance, away from such crops as cotton, and into livestock and other diversified production. How does this comport with opening ever-increasing western range lands for more and more cattle?

SOME contradictory situations in specific reclamation projects have been so pronounced, the Upper Colorado for example, as to draw fire from members of Congress, and, in the present instance, as to temporarily at least, halt the proposal. The attorney general of California, who can properly be suspected of a certain natural bias, nevertheless was one who pointed out that this project is "inconsistent" with the soil bank program.

Wild-life conservationists likewise have viewed the increasing encroachment of reclamation on natural refuges, with more than casual concern. But as the soil bank progresses, the real question would appear to be whether expansive and accelerated utilization of our current reserves of open land is justified while we are trying to retire much more already productive land because it is not now needed. If it should be needed, it would appear simpler to just put it back into gear.

The Case for Company Publicity

A practical account of what utility companies can do themselves in bringing about more satisfactory publicity. Here are some hints and suggestions about simple little things which can add up on the whole to a good, bad, or indifferent press for any utility company operations.

By RAYMOND E. DONOVAN*

UTILITY employees dealing with the many problems confronting the industry in its youth were, of necessity, more concerned with *solving* those problems than with *telling* customers that they were solving them, and how they were doing it. For varying reasons and in varying degrees this neglect of communication continued for some time. Consequently, the industry grew up in the ironical position of furnishing the public with one of its most important conveniences without receiving, in return, comparable support and confidence.

A sweeping cure for this and other public relations ills afflicting the utility industry is still far from discovery. Fortunately, however, there are a number of practices and methods in use today which are proving effective in checking at least some of these ills.

One highly valued method is the active company publicity program, used in its logical rôle as the forerunner of public relations. Planned well and carried out capably, company publicity has come through with consistently notable success, despite being put to many widely varied tasks.

For most companies, the major challenge over the years has been securing and maintaining favorable public understanding, confidence, and support. During this

*Copy supervisor, The Connecticut Light and Power Company. For additional personal note, see "Pages with the Editors."

time, we have learned that, to capture favorable public opinion, we must tell Mr. and Mrs. Customer *who we are, what we are doing, how* and *why we are doing it.* Public suspicion and downright misunderstanding of the business have proven that today it is not enough to *do* something for the customer. We must *tell* him that we are doing something for him. In other words, it is not enough to *give* him good service. We must *tell* him that we are giving him good service—and *how* we are doing it. And, tell him frequently and regularly.

THE utility which is in the news only when applying for a rate increase has helped to make its bed a hard one. News at that time can arouse little, if any, favorable public opinion. Consider, however, a regularly scheduled publicity program over the years preceding a rate increase. At the very least it can let the customers know that the utility exists and that the employees are at work every day. Regular company publicity about numerous service additions and improvements can make rate increases appear somewhat logical, even necessary.

Moreover, information of this sort helps remove the mystery from our business. It illustrates that ours is not a remote, technical organization which the public must support because they are forced to get their service from us. Such information can help show the public that the utility is actually a community neighbor and a good citizen.

How to disseminate this information? Through *complete* utilization of standard news media — newspapers, magazines, radio, television. Our information is legitimately newsworthy, but which the most efficient news reporter could not possibly be expected nor able to dig up on his own.

Therefore, while adding a 1,500-kilovolt ampere transformer, or extending a gas or water main, or installing a new telephone trunk line, may mean only "increased capacity" to an engineer, to a customer it can mean "more power," "improved service," "more dependable supply." These are very tangible benefits to him because they signify improvements in or for equipment he owns or uses daily.

BUT, Mr. Customer does not get the opportunity to know about such improvements unless he is told about the transformer, the main, or the line. And so, it is the job of company publicity to transform the engineer's "increased capacity" into the customer's "better service." Doing so helps create an informed, enthusiastic supporter.

When put to the task of indicating community growth and development, company publicity also has succeeded. Civic pride is strong in Mr. Average Citizen and, by explaining that service additions and improvements have become necessary due to his community's residential, commercial, agricultural, or industrial expansion, his natural pride is aroused that Hometown is prospering. Town or city officials are sure to be grateful for such publicity, too.

An outgrowth of this is the benefit of such publicity to area development. A utility company news story stating black-and-white facts about a community's growth, along with details on what it is doing to meet the growth, provides incentive for new industries to investigate plant location in the area, and for established firms to remain satisfied.

Closer to home is the value of regular news articles in showing that the utility is doing an efficient, dependable job, safely and economically. Furthermore, the company's employees naturally will be proud to see in the news "the place where I work."

THIS brings up the point of employee satisfaction and how a company can foster it by giving workers all the possible recognition they deserve, and doing it as frequently as legitimate. Too often in the past only executive or upper management activities have been reported. Promotions and news involving the lineman, crew chief, clerk, machine operator, and assistant engineer deserve publicity, too.

Modesty notwithstanding, the newly promoted employee cannot help but be pleased when he receives public recognition, and the more the better. Pride is a natural characteristic and, properly evaluated, actually can make a good employee better, and inspire him to do his job better, too. And so, an article or bulletin (the size almost does not matter) about this most important promotion in the world lets the employee know that his company "sure must think a lot of me when it goes to all this trouble to write me up." His friends and the general public naturally get this impression also when they see frequent publicity about a company's "ordinary" employees.

(And who can forecast the dividends from such a program when employees, aware that they and their work have been recognized consistently and publicly, sit down at the bargaining table for industrial relations negotiations.)

It is quite logical, too, that the company whose name appears often in the news, whose operations are described dramatically and interestingly, may find much improved today's major personnel problem of attracting new engineers and other employees.

IN describing the utility to the public another type of publicity which should be utilized in addition to straight news items is the feature article. Here is where a writer can hack away at the complexities of the industry and graphically depict the color and drama which make up so much of our day-to-day operations. And, by so doing, can help dispel the public misunderstanding and even resentment often held against "the guys with the slide rules."

Feature stories, as any newspaperman will say, are everywhere. For this reason, in fact, a newspaper writer may not want to spend time, even for a good story, in the technical atmosphere of a utility, when he can get a satisfactory article elsewhere.

Company-prepared features can help make up for this. Obviously, too, if the company does the story, all the facts will be accurate and the article can be scheduled for a time most appropriate or even most advantageous.

As a subject, consider the story of industrial television in a utility's operations. As a plant guard, to watch smokestacks, boiler fires, or temperature gages. Here is a valuable piece of equipment, familiar to the public, which utilities have put to use in a unique way to help them serve their customers.

Hot line tools and the skill required to handle them provide several angles for a feature article. This unusual equipment enables the utility to perform necessary maintenance without inconveniencing cus-

tomers by a service interruption. Furthermore, employees who handle the tools must be highly skilled. Finally, in having such tools the company demonstrates that it is using the most modern equipment for the benefit of its customers and the safety of its employees.

POLE diggers and pipe locators, telemetering equipment, line shooting guns, portable substations, electronic fault-finders used to patrol transmission lines, two-way radio or walkie-talkie facilities, load dispatching, meter testing, employee training programs, safety records, new machines, new methods, new procedures, even personnel hobby stories—these and dozens of other ideas make up the dramatic stories which are a part of the utility industry.

This is the story worth telling. The plain, bread-and-butter stories; the lineman and gas maker stories; the kilowatt and Btu stories. They have importance for customers and employees. They have dramatic interest for the public. They have news value for editors. Moreover, through the manner in which they are written, the way the story is presented, and the facts that are brought out, they can influence public opinion and thereby benefit the company, as well as the industry.

Finally, and by no means least, a utility's relations with the press also can gain from company-prepared publicity. Editors rarely refuse news, be it strictly informational, pictorial, or an interesting feature. Therefore, professionally prepared, legitimate news and feature material given to an editor—unsolicited and requiring little or no rewriting—ordinarily will be very much welcomed and, in many cases, will be considered a logical supplement to the "standard" news an editor himself seeks.

SO, summing up in a few words, the company publicity program, planned well and functioning with experienced personnel and all-around co-operation, can number its accomplishments from among the following:

Public support through informed customers.

Customers "conditioned" for rate increases.

Community pride in growth and expansion.

Potential interest in area development.

Community and employee pride in the company.

Employee satisfaction from recognition.

Possible benefits in industrial relations.

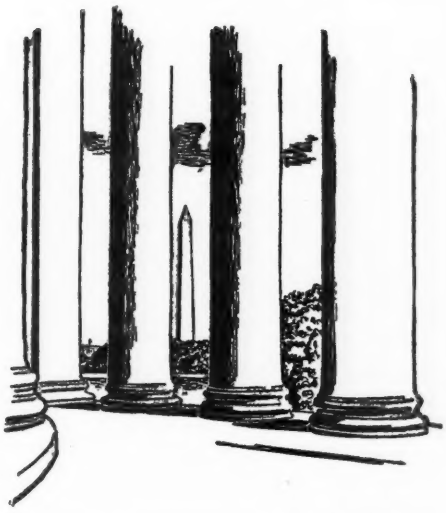
Assistance in attracting new employees.

Better public understanding of the industry.

Increased and improved relations with the press.

Our companies and the industry have a story well worth telling. Company publicity is the logical clarion of this story, with the benefits too varied and numerous to pass up.

Washington and the Utilities



Power Bills in Congress

THE official word that President Eisenhower has no intention of changing his earlier decision on running for reelection has focused attention on government power projects and other bills remaining to be acted upon by the 84th Congress. Both houses are rushing against time to put themselves on record on "power issue" legislation. They are expected to debate, if not take final action, on the Niagara and Fryingpan-Arkansas bills, and on the accelerated nuclear reactor program.

Hell's Canyon, on which the Democrats pinned such hopes for campaign purposes, was defeated in the Senate on July 19th, 51 to 41, and may prove to be a political boomerang now that the Democratic-controlled 84th Congress failed to see the wisdom of passing a bill the majority leaders insisted was so much needed.

As the preadjournment stampede began, it was impossible to tell how far Congress would get with any of these bills; which if any, would receive its approval; and whether the presidential signature would be attached to several of them, even if they reached the White House.

Senate Democrats set the tone of the hectic rush period by overriding administration opposition to the proposed accelerated nuclear reactor program. With the support of three Republicans, they rammed through the revised Gore Bill (S 4146), which directs the Atomic Energy Commission to build large-scale prototype reactors at the commission's plants to develop electricity for use at government installations. The vote was 49 to 40, with Republican Senators Wiley (Wisconsin), Kuchel (California), and Langer (North Dakota) joining the Democrats.

The bill was passed without amendment after four hours of debate, despite the fact that it did not contain specific language directing where several smaller power reactors (50,000 kilowatts or less) were to be built or limiting the sale of the power to be produced by these reactors to AEC installations. The report of the Joint Committee on Atomic Energy stated, however, that "it is expected that (the reactors) will be situated at AEC production, testing, and laboratory sites . . . and the electricity generated will be used by the commission." Senator Hickenlooper (Republican, Iowa), a member of

this committee, said in floor debate that the measure is only a step away from Tennessee valley-type legislation and inferred it would open the door to outright government atomic power.

SENATOR Anderson (Democrat, New Mexico), chairman of the committee, stated that the bill envisions three large-scale prototype reactors to develop 100,000 kilowatts or more, plus two smaller reactors. Other backers said the measure was essential to get the nation's atomic power industry under way and to win the race with the Soviet Union for world leadership in development of the new energy resource.

The AEC's Chairman Strauss had expressed objections to the bill, which now goes to the House. If passed by that body, it might run into a veto at the hands of the President.

THE Senate unanimously passed and sent to the House the same day a bill (S 300) authorizing the federal construction of the $156,000,000 Fryingpan-Arkansas multipurpose project in Colorado. There was no opposition to the measure, which has been supported by the administration as part of its legislative program, and debate consisted mainly of praise for Senator Millikin (Republican, Colorado), who sponsored the bill. The House Rules Committee was scheduled to consider rules for both the Fryingpan and Hell's Canyon proposals. Progress made, or to be made in the future on the Fryingpan legislation is considered to stem in large part from the fact that Colorado Republicans in both houses have traded committee votes on Hell's Canyon in return for Democratic promises that Congress would be allowed to vote on the Fryingpan proposals.

EVENTUAL success of any or all of the various power legislation bills is still problematical, at best. Conflicting predictions by House and Senate leaders set the likely adjournment date some time between July 21st and August 4th. Among the factors that could lead Congress to shelve one or more of these bills before then are the amount of major legislation remaining to be considered, a possible Senate filibuster on the civil rights issue, and the pressures for early adjournment created by the respective August 13th and 20th starting dates for the Democratic and Republican conventions. The Senate was already on official notice from Majority Leader Johnson of Texas that it would be faced with morning sessions until the final adjournment.

During his conference with Senate Minority Leader Knowland (California) at Gettysburg in early July, President Eisenhower placed the Niagara bill on his own legislative list, without, however, indicating any specific approval of the proposal for state development with federal-type "preference" provisions. This was the content of the bill passed by the Senate and reported by the House Public Works Committee. The House majority leadership was expected to give the bill a chance for floor consideration, once it was cleared by the House Rules Committee.

SENATOR Johnson made it plain he planned to allow plenty of time for debate on the legislation authorizing federal construction of a high dam at Hell's Canyon, when he announced the Senate's adjournment rush program. The House majority leadership planned to do likewise. There was no surprise in the fact that the Hell's Canyon bill was not to be found in President Eisenhower's legislative listing.

Telephone and Telegraph

Four Sentenced for Phone Strike Conspiracy

IN Jackson, Mississippi, a U. S. district court judge meted out sentences to the two Communications Workers of America officials, a former United Auto Workers representative and an alleged ex-convict, who were convicted June 22nd of conspiring to dynamite government-leased telephone installations during last year's strike against Southern Bell Telephone & Telegraph Company.

The union men sentenced by Judge Ben C. Dawkins were James Shelby of Silver Spring, Maryland, strike director in Mississippi for the CWA, and Charles Perry, president of the CWA local in Jackson. Shelby received the maximum three-year prison sentence and was fined $1,000, while Perry was sentenced to a two-year term and a $1,000 fine.

The two others sentenced were Louis Abbate, a former official of the Chicago local of the United Automobile Workers, who drew the maximum three-year, $1,000 fine penalty; and an alleged ex-convict, Michael Falcone, also of Chicago, who was given a one-year prison term.

Evidence at the trial disclosed that Shelby came to Chicago in April, 1955, to recruit dynamiters for a projected series of attacks on telephone repeater stations in Mississippi. He supplied Abbate, Falcone, and Norman McLeod, who was a government witness during the trial, with a map showing installations selected for bombing. The government witness stated at the trial that his trip to Mississippi was financed by Shelby and that he discussed dynamiting plans with Perry.

THE government contended that installations marked for destruction included part of a communications network linking posts of the strategic air command. "Had the conspiracy been completed, Mississippi would have been wiped off the face of the earth as far as telephone communications are concerned," according to government testimony in opposition to defense motions for probation, which were denied.

Throughout the Southern Bell strike, marked by numerous acts of violence and sabotage, CWA officials consistently disclaimed union responsibility for acts of cable cutting and the like, and offered a reward for information leading to the arrest of those involved.

Cable to Cuba

THE FCC cleared the way for the development of television broadcasting

overseas by authorizing American Telephone and Telegraph Company to beam radio and television broadcasts between the United States and Cuba by the "tropospheric scatter" method. Unlike regular television broadcasting, in which transmission through the ether is limited by the horizon, this method permits signals to be sent much greater distances by bouncing the signals off a layer of the atmosphere several thousand feet above the earth. This is the first time the commission has authorized such broadcasting on a regular basis.

AT&T will at first use the new operating authority to supplement its present submarine telephone facilities between Florida and Cuba. The permits authorize the company to establish radiotelephone service between Florida City, Florida, and Guanabo, Cuba, a distance of 180 miles, but AT&T has advised the commission that it proposes to employ the connection at a later date for TV transmission.

Defense Emergency Warning Signals

THE Federal Civil Defense Administration (FCDA) awarded two contracts under which scientists will investigate the use of telephone systems and power lines to transmit civil defense warning signals. Efforts will be made, to determine the best enemy attack warning system, according to the terms of the contracts signed with Armour Research Foundation of the Illinois Institute of Technology, Chicago.

Different approaches to the problem of determining a method of transmitting signals which would permit the design of an effective alarm system at minimum expense will be carried out in separate projects by scientists in two sections of the foundation's electrical engineering department.

The use of power lines to transmit warning signals while concurrently maintaining power for the community will be studied by the electric machines, components, and measurements section, according to the supervisor, Dr. Harold L. Garbarino.

The computer development section will investigate the use of telephone systems as a means of warning the general public, under the supervision of Edward A. Roberts, assistant manager of the electrical engineering department.

Garbarino's section will try to determine the most effective and economical warning system for cities, based upon a signal transmitted by a power distribution system.

FCC Act Changes

TELEPHONE companies will benefit from changes Congress is about to make in the federal Communications Act. Both houses have passed a bill (S 1456) under which the ban on interlocking directorates in the law is eased to permit an officer or director to serve on more than one telephone company, within an integrated communications system, under common ownership and control. It also ends a mandatory hearing requirement in telephone company property acquisition and consolidation cases, although such hearings before the FCC will still be held on the request of a telephone company, a state commission, or local government authority.

The House voted several minor amendments to the Senate measure, which makes other technical changes in the communications law. Differences are expected to be worked out without difficulty, thus sending the bill to the White House before the end of the session.

Financial News and Comment

By OWEN ELY

Future Importance of Synthetic Natural Gas

WILLIAM B. TIPPY, president of Commonwealth Services, Inc., and a member of the AGA committee on economics, recently delivered an address on "Some Aspects of Gas Supply" before the executive conference of the American Gas Association at Colorado Springs. Since the talk included some interesting long-term projections for a somewhat ignored sector of the utility business—manufactured or "synthetic" gas of 1,000 Btu—a summary may be of interest to gas executives who did not attend the conference, as well as to investors in gas securities.

Mr. Tippy's main concern was that the gas utility industry should speed up its research program in order to assure an adequate future supply of synthetic gas which will supplement, and perhaps ultimately replace, natural gas. He suggested a possible two-step approach: first, development of a low Btu synthesis gas; and second, methanation to high Btu gas. Research in the latter field is just beginning to yield some results, but must be pushed aggressively if the industry is to reduce costs to around 7 or 7½ cents per therm, from the present estimated level of 9-10 cents. The hydrogenation process (converting coal into gas) is more complicated, but is worth further investigation. Both processes require high load factor base-load operations.

How soon will the continued rise in field prices begin to check the use of natural gas where pipeline costs are high? Mr. Tippy thinks this will occur some time between 1965 and 1980, or perhaps earlier in some areas. From a financing angle, this points up the need for developing a workable process for producing synthetic gas as quickly as possible. If the most logical process can be developed the industry can then concentrate on reducing production costs. He suggested January 1, 1958, as a target date for completing a "conceptual design" for a full-scale synthetic plant. He compared this project with the work being done on atomic reactors in the electric industry, and suggested increasing the industry research appropriation 50 per cent to a total of $450,000.

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Over the past four years the AGA committee on economics has held three financial forums in which they have assured Wall Street representatives that a continued ample supply of gas will be available. Mr. Tippy felt that while the presentations had been helpful they had not completely solved the industry's financing problems relating to long-term supply. Gas pipelines are financed on a 20-to-30-year extended life basis and gas producers operate on a 3-to-5-year pay-out basis. In recent years the FPC has been giving increased attention to proof as to deliverability of natural gas. Inevitably the question rises whether the credit of the entire gas industry must be tied to natural gas reserves.

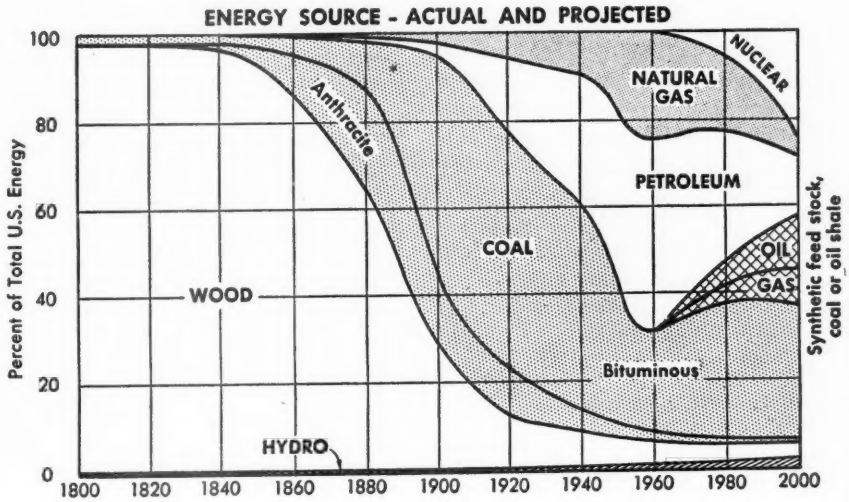
THAT there may be some doubts in the minds of financial people as to the long-range gas supply seems indicated by (1) demands for increased sinking-fund requirements on distribution company bonds—some to the extent of 100 per cent sinking funds within the life of present gas supply contracts; and (2) derating of credit because of the distribution of natural gas; *i. e.*, increasing the premium on bonds by some fraction of a point.

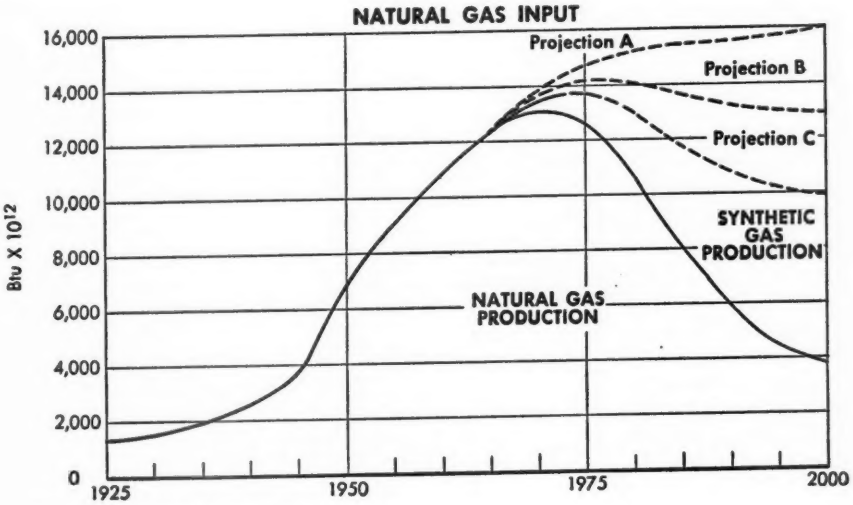
Natural gas faces eventual if not direct price competition at the point of ultimate sales (in practically all uses except for certain technological applications) from coal, oil, and electricity. Many gas producers do not seem convinced of this—they think of competition as occurring only at their end of the transmission line and not at the consumers' end. They contend that all prices to pipelines should be identical and equal to the highest known price in the area, but obviously such a position involves the danger that many areas may be priced out of their markets. Mr. Tippy stated:

> I believe that—with or without field price regulation—the field price of natural gas will rise until some positive competitive force stops it. The help needed by a large portion of the industry could be in the form of a readily available source of a substitute gas as an alternative to natural gas to bring the actual critical point of competition back from the burner tip to a point, perhaps on the pipeline well beyond the city gate, where large volumes of synthetic natural gas can be manufactured at a central point—probably from coal—at a price which would provide an effective competitive ceiling to the field price of natural gas.

MR. TIPPY presented some interesting long-range projections. Using a trillion Btu as the unit, total energy input in the U. S. has grown fairly consistently from 600 units in 1800 to 10,000 in 1900 and about 35,000 at present: By the year 2000, the total should be around 100,000, for a tenfold increase during the century. As indicated in his chart on page 185, "Energy Source—Actual and Projected," wood was the principal source of energy in the 1800s, but is now unimportant, accounting for perhaps 7 per cent of the total. Despite all the political agitation it gives rise to, hydroelectric power has never been much of a factor—it is only about 1 per cent of the total now and may reach 1½ per cent. Coal came into the picture around 1840, and supplied nearly two-thirds of total energy during 1900-20; since then it has declined sharply, but should again increase in importance in the near future. Both petroleum and natural gas have gained sharply since 1900, taking up the slack in coal and wood; this growth continues but some warning signals are beginning to appear.

The chart showing projections for natural gas is based on an estimate of 600,000



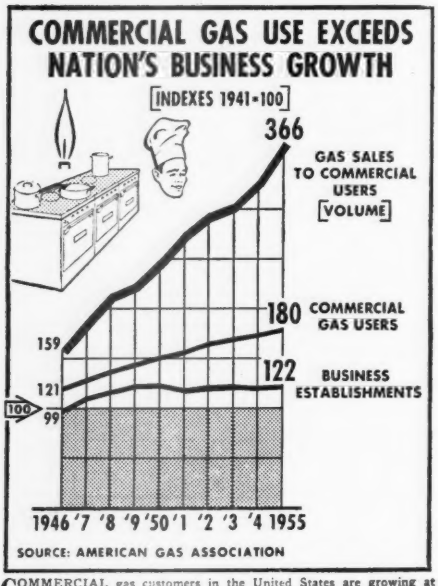


Source: Commonwealth Services, Inc.

trillion Btus of recoverable gas reserves, which is equivalent to 600 trillion cubic feet, compared with present proven reserves of about 225,000. Of the various estimates published by different authorities, some go as high as 1,000 trillion cubic feet. Some gas can also be imported from Canada and Mexico. But as producers turn to deeper horizons production costs will increase. "Many of us feel," Mr. Tippy remarked, "that the rising cost of future discoveries and the limits imposed by reserves will require supplementation of natural gas with synthetic natural in the not too distant future."

THE period of most rapid growth in the development of natural gas markets will soon be coming to an end—the Pacific Northwest will receive gas this fall and a project to serve Florida is now before the FPC. Moreover, recent increases in the field price of gas are already having a slowing effect, and may shut out some power plant market and influence the location of industries like aluminum and heavy chemicals. New aluminum mills are not going to Texas and Louisiana, but to the Ohio valley where large volumes of low-cost coal now provide a cheaper long-range source of bulk energy. In the detailed chart on "Natural Gas Input" several varying projections are shown: A—the most desirable projection from the standpoint of development of the gas industry, one which assumes synthetic natural will pick up the slack when natural gas availability begins to decline; C—one-half of the program assumed for A; and B—a program half way between C and A.

On the basis of Terry's reserve estimate, peak annual natural gas production of around 13,000 trillion Btu would be reached by 1970, with some synthetic production coming in five years earlier. Rising prices could make synthetic natural gas a desirable reality even earlier. Even if the larger estimates of ultimate recoverable gas reserves should be realized, this would make a relatively small difference, particularly when higher costs of developing the deeper horizons and more inaccessible locations are taken into account.



COMMERCIAL gas customers in the United States are growing at a faster rate than retail business establishments. Volume of commercial gas sales has more than tripled since 1941. Americans spend more than $15 billion per year on meals consumed outside the home, and nine out of ten of these meals are cooked with gas.

MR. TIPPY therefore feels that if an economical method of manufacture can be developed, the industry may well need it between 1965 and 1975. "Research being a time-consuming process, we should drive through to conclusions to provide assurance to ourselves, the financial community, and our customers that gas is here to stay and that our dynamic industry is not in fact tied to one limited and depletable natural resource."

The picture with respect to petroleum is quite similar to that of natural gas and

petroleum production may reach a peak around 1970, even with increasing exports. Importation of oil is subject to political and transportation factors. Production of synthetic oil from shale reserves in Colorado and Wyoming has some drawbacks due to the requirements with respect to water supply and large capital investment in plant facilities.

As indicated in the chart of energy sources, Mr. Tippy does not think that atomic energy will become a major factor until around the end of the century. Coal thus becomes the balancing factor in the energy reserve picture, since it can be either consumed in its original form or become an important source for synthetic oil or gas. Thus the required coal production by the year 2000 should be almost triple the present amount, including the amount needed for synthetic production of gas. Fortunately, the assured recoverable reserve of coal approximates 7,500,000 trillion Btu, of which about one-quarter is located east of the Mississippi river. The reserve is about ten times the entire amount burned in the U. S. since 1900.

Reserves of fissionable materials are said to be 25 times those of coal, indicating the tremendous potentialities for atomic energy if costs can be brought into line. By the end of the century about one-fifth of total energy requirements might be supplied by nuclear energy. This assumes that the 9-10 mill cost range will drop to 6-7 mills by 1965 and to 5 mills by 1980, which should give the program impetus.

Thus the chart reflects a future decline (as a percentage of total) for both petroleum and natural gas, the rise of a synthetic industry based on either coal or oil shale, the increasing importance of coal, and the final development of atomic energy as a major factor. There are, of course, other potential sources of energy such as the sun, the wind, and the tides (he does not mention atomic fusion), but it seems unlikely that these will contribute significantly. "Of most importance to us in the gas industry," Mr. Tippy concluded, "is this question of what happens in the field of synthetics—does it go to gas or oil?"

Bell System Rate Increases

On July 2nd the New York Public Service Commission granted New York Telephone Company a $15,700,000 annual rate increase effective July 5th. Party-line rates were raised 10 cents, private home service 25 cents, and business telephones 50 cents, with coin-box rates

CURRENT YIELD YARDSTICKS

	1956	*1955-56 Range*		*1954*	*Range*	*1953*	*Range*
	*July 13**	*High*	*Low*	*High*	*Low*	*High*	*Low*
U.S. Long-term Bonds—Taxable	2.95%	3.08%	2.62%	2.70%	2.41%	3.15%	2.70%
Utility Bonds—Aaa	3.27	3.31	2.93	3.13	2.86	3.43	3.01
Aa	3.38	3.38	2.99	3.19	2.92	3.59	3.07
A	3.51	3.51	3.12	3.37	3.11	3.72	3.23
Baa	3.79	3.79	3.37	3.72	3.37	3.94	3.50
Utility Preferred Stocks—High-grade	4.11	4.11	3.89	4.09	3.85	4.45	4.01
Medium-grade	4.39	4.43	4.19	4.51	4.17	4.87	4.43
24 Electric Utility Common Stocks	4.58	4.74	4.32	5.23	4.50	5.72	5.01
30 Gas Utility Common Stocks	4.47	4.77	4.29	5.22	4.64	5.66	4.74

*Approximate date.

Latest available Moody indices are used for utility bonds and stocks; Standard & Poor's index for government bonds.

unchanged. The increase was in addition to the $8,300,000 obtained last December, which was granted as the amount needed to yield about 6 per cent on the net investment rate base. Later the FCC authorized the company to increase its depreciation rates about $2,700,000, and more recently wage increases of $17,000,000 were given to employees.

The July 2nd decision merely carried out the commission's promise of last December that "if substantial increases in the company's items of cost occur in the near future, not adequately provided for in the proposed tariffs to be filed in accordance herewith, the proceeding may be reopened for proof of such changes." The amount of net revenues necessary to offset the New York intrastate operating portions of the two cost increases described was about $15,700,000 per year, which was the amount of the rate increase currently

JUNE UTILITY FINANCING

PRINCIPAL PUBLIC OFFERINGS OF ELECTRIC AND GAS UTILITY SECURITIES

Date	*Amount*	*Description*	*Price To Public*	*Underwriting Spread*	*Offering Yield*	*Moody Rating*	*Indicated Success of Offering*
		Bonds					
6/5	$13.0	Milwaukee Gas Lt. 1st s.f. 4⅛s 1981 ..	101.96	.77C	4.00%	Baa	c
6/5	10.0	Potomac Elec. Pr. 1st 3⅜s 1991	101.09	.71C	3.57	Aa	c
6/6	40.0	Commonwealth Edison 1st 3½s 1986 ..	100.00	.57C	3.50	Aaa	a
6/7	10.0	Southern Union Gas s.f. Deb. 4¼s 1976	100.67	1.00N	4.20	Baa	a
6/8	10.0	Indianapolis P.&L. 1st s.f. 3⅜s 1986 ..	101.94	.72C	3.52	Aa	d
6/20	8.0	P. S. of New Hampshire 1st s.f. 3⅞s 1986	102.24	.72C	3.75	A	c
		Preferred Stocks					
6/1	.3	Tropical Gas $5.24 Conv. Pfd.	104.00	N	5.04	—	e
6/6	5.2	Connecticut Power 4.50% ($50 Par)	50.00	.98N	4.50	—	a
6/7	4.0	Southern Union Gas 5.05% Pfd.* ...	100.00	2.00N	5.05	—	a
6/14	18.0	Boston Edison 4.25% Pfd.	101.63	1.63N	4.18	—	a
		Common Stock—Offered by Subscription					
6/1	.3	Greenwich Gas	12.00	N	5.83	6.10	f
6/1	1.4	Tropical Gas	11.00	N	—	—	g
6/5	2.7	Connecticut Power	37.50	—	6.00	7.69	h
6/6	5.7	Potomac Electric	20.25	.20N	5.43	7.52	i
6/6	5.3	United Utilities	21.00	N	5.71	8.13	j
6/7	8.1	Delaware P. & L.	35.00	.14C	4.29	6.94	k
6/19	36.6	Pacific G. & E.	45.00	N	5.33	7.52	o
6/25	1.2	Sierra Pacific Power	20.00	.50C	6.00	7.09	p
6/25	3.5	Western Massachusetts	37.50	.30N	5.87	8.47	r
		Common Stock—Offered to Public					
6/7	1.1	Western Kentucky Gas	13.25	1.00N	4.53	9.35	a
6/12	.3	Minnesota Valley Nat. Gas	16.00	1.00N	5.00	6.76	m
6/13	4.4	California Elec. Power	14.75	.44C	4.75	6.29	c
6/28	3.3	Southern Nevada Power	19.00	.90N	5.26	7.63	b

Source, Irving Trust Company

*3¾ per cent sinking-fund annually. C—Competitive. N—Negotiated. a—It is reported that the issue was well received. b—It is reported that the issue was fairly well received. c—It is reported that the issue sold somewhat slowly. d—It is reported that the issue sold slowly. e—Offered on a 1-for-170 basis; 2 per cent subscribed. f—Offered on a 1-for-6.6 basis. g—Offered on a 1-for-4 basis; 3 per cent subscribed. h—Offered on a 1-for-10 basis, not underwritten, but 50 cents a share paid to soliciting dealers; 97 per cent subscribed. i—Offered on a 1-for-20 basis; 94 per cent subscribed. j—Offered on a 1-for-6 basis. Underwriters' commission 60 cents on all shares plus 30 cents on unsubscribed stock; 23 per cent subscribed. k—Offered on a 1-for-8 basis, with unsubscribed stock offered to employees; 96 per cent subscribed and balance taken by employees. m—2,400 shares offered to employees at 15. o—Offered on 1-for-20 basis. Underwriters' commission 40 cents on all shares plus 80 cents on unsubscribed shares up to 325,000 shares; company shares in profit on sales of unsubscribed stock. p—Offered on a 1-for-10 basis with oversubscription. r—Offered on a 1-for-12 basis, with 10,000 shares offered to employees.

allowed. The company had estimated that an intrastate return for the full year 1956 of 6.05 per cent would be earned assuming the new tariff would be effective July 1, 1956.

These two increases were in the nature of "stopgap" allowances, and a decision is still pending on the original proposal for an increase of $68,500,000. That case, it will be recalled, largely centered in the issue over which kind of rate base should be used—original cost or fair value. The commission's adverse decision was appealed to the New York court of appeals, which on February 17th ordered the commission to conduct a new hearing on the case. Under New York state law, telephone companies are treated differently than electric and gas utilities in that they are entitled to use a rate base which considers present cost; *i. e.*, cost of reproduction less depreciation. Following the court decision Governor Harriman sought new legislation to change the rate base; the assembly passed such a measure, but it was defeated in the senate finance committee in March.

New York Telephone Company is a subsidiary of American Telephone and Telegraph. Assuming that the three rate increases are subject only to the 52 per cent federal income tax, the amounts per share on American Telephone and Telegraph stock (consolidated earnings statement) would be as follows:

Amount of Rate Increase (Millions)	*Amount Per Share AT&T**
$ 8.0	7¢
15.7	14
68.5**	59**

* Applying 55,800,000 shares, the recent amount outstanding. ** Amount of increase applied for.

During the five years 1951-55, the Bell system obtained increases in rates for local service and intrastate toll service totaling about $397,000,000; included in the latter amount was about $62,000,000 still involved in litigation. Of the $34,000,000, which became effective in 1955, some $17,000,000 was reflected in the revenues for that year. Increases totaling about $20,400,000 were made effective between January 1 and July 5, 1956.

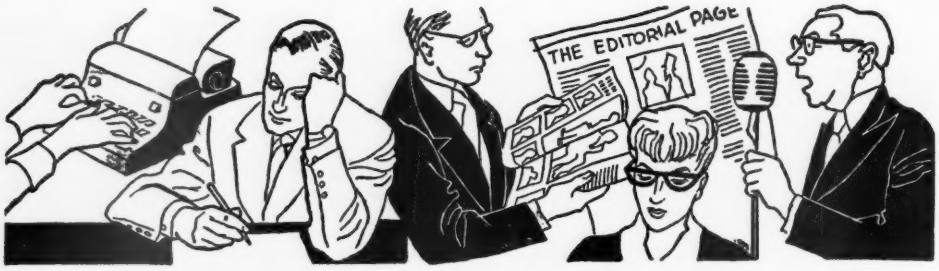
DATA ON ELECTRIC UTILITY STOCKS

1955 Rev. (Mill.)			*7/11/56 Price About*	*Dividend Rate*	*Approx. Yield*	*Share Earnings* Current Period*	*% Increase*	*12 Mos. Ended*	*Price-Earns. Ratio*	*Div. Payout*	*Approx. Common Stock Equity*
$258	S	American G. & E.	40	$1.44	3.8%	$2.02	14%	May	19.8	71%	34%
39	O	Arizona Pub. Serv.	22	1.00	4.5	1.37	—	Apr.	16.1	73	31
10	O	Arkansas Mo. Power	23	1.24c	5.4	1.90	10	Mar.	12.1	65	30
27	S	Atlantic City Elec.	30	1.20	4.0	1.52	8	May	19.7	79	27
118	S	Baltimore G. & E.	34	1.60	4.7	2.21	23	Mar.	15.4	72	41
6	O	Bangor Hydro-Elec.	33	1.80	5.5	2.44	6	Mar.	13.5	74	31
5	O	Black Hills P. & L.	25	1.28	5.1	2.15	5	Apr.	11.6	59	27
91	S	Boston Edison	55	2.80	5.1	3.40	NC	Apr.	16.2	83	53
19	A	Calif. Elec. Power	15	.70	4.7	.93	30	Mar.	16.1	75	35
17	O	Calif. Oreg. Power	34	1.60	4.7	2.08	17	Nov.	16.3	77	37
7	O	Calif. Pac. Util.	28	1.50	5.4	2.20**	2	Dec.	12.7	68	29
58	S	Carolina P. & L.	26	1.10	4.2	1.70	13	May	15.3	65	37
26	S	Cent. Hudson G. & E.	17	.80	4.7	1.04	4	Mar.	16.3	77	33
19	O	Cent. Ill. E. & G.	30	1.60	5.3	2.21	16	Mar.	13.6	72	30
33	S	Cent. Ill. Light	58	2.60	4.5	3.86	37	May	15.0	67	41
50	S	Cent. Ill. P. S.	33	1.60	4.9	2.44	15	Mar.	13.5	66	35
11	O	Cent. Louisiana Elec.	32	1.40	4.4	1.90	25	Mar.	16.8	74	31
33	O	Cent. Maine Power	23	1.40	6.1	1.66	D2	May	13.9	84	33
114	S	Cent. & South West	39	1.40	3.6	2.11	11	Mar.	18.5	66	36
11	O	Cent. Vermont P. S.	16	1.00	6.3	1.20	D3	May	13.3	83	28
108	S	Cincinnati G. & E.	28	1.20f	4.3	2.01	12	Mar.	14.0	44	40
6	O	Citizens Util. "B"	15	.90a	6.0a	1.07	3	Mar.	13.9	60	39

1955 Rev. (Mill.)		(Continued)	7/11/56 Price About	Dividend Rate	Approx. Yield	Share Earnings* Current Period	Share Earnings* % Increase	Share Earnings* 12 Mos. Ended	Price-Earns. Ratio	Div. Payout	Approx Common Stock Equity
104	S	Cleve. Elec. Illum.	41	1.60	3.9	2.66	34	Mar.	15.4	60	47
4	O	Colo. Cent. Power	27	1.20	4.4	1.59	2	Mar.	17.0	75	24
45	S	Columbus & S. O. E.	31	1.60	5.2	2.22	28	Mar.	14.0	72	37
336	S	Commonwealth Edison	42	2.00	4.8	2.67	4	Mar.	15.7	75	47
10	A	Community Pub. Service	25	1.20	4.8	1.78	—	Mar.	14.0	67	51
2	O	Concord Elec.	44	2.40	5.5	2.71	3	Dec.	16.2	89	61
65	O	Connecticut L. & P.	18	.98	5.4	1.20	5	May	15.0	81	33
21	O	Connecticut Power	40	2.25	5.6	2.88	NC	Mar.	13.9	78	42
494	S	Consol. Edison	49	2.40	4.9	3.18	7	Mar.	15.4	75	41
189	S	Consumers Power	49	2.20e	4.5	3.31	13	May	14.8	66	41
71	S	Dayton P. & L.	47	2.20	4.7	3.46	15	Mar.	13.6	64	38
34	S	Delaware P. & L.	44	1.60	3.6	2.43	12	Mar.	18.1	66	32
220	S	Detroit Edison	34	1.80	5.3	2.26	13	May	15.0	80	42
120	A	Duke Power	29	1.20	4.1	1.86	16	Mar.	15.6	65	54
89	S	Duquesne Light	38	2.00	5.3	2.44	16	Mar.	15.6	82	36
27	O	Eastern Util. Assoc.	35	2.20	6.3	2.62	11	Apr.	13.4	84	36
2	O	Edison Sault Elec.	16½	.80	4.8	1.19	NC	Mar.	13.9	67	40
10	O	El Paso Elec.	44	1.80	4.1	2.48	2	Mar.	17.7	73	37
11	S	Empire Dist. Elec.	28	1.60	5.7	2.21	17	Mar.	12.7	72	30
4	O	Fitchburg G. & E.	53	3.00	5.7	3.52	8	Dec.	15.1	85	55
43	S	Florida Power Corp.	50	1.60	3.2	2.45	NC	Apr.	20.4	65	34
93	S	Florida P. & L.	49	1.20	2.5	2.17	27	Mar.	22.6	55	40
163	S	General Pub. Util.	37	1.80	4.9	2.77	NC	Apr.	13.4	65	39
6	O	Green Mt. Power	16	1.00	6.3	1.23	7	Mar.	13.0	81	37
51	S	Gulf States Util.	36	1.60	4.4	2.14	10	May	16.8	75	31
21	A	Hartford E. L.	56	2.88	5.1	3.97	7	Mar.	14.1	73	47
5	O	Haverhill Elec.	39	2.35	6.0	2.62	34	Dec.	14.9	82	100
66	S	Houston L. & P.	50	1.40	2.8	2.65	20	May	18.9	53	42
8	O	Housatonic P. S.	23	1.40	6.1	1.41	19	Dec.	16.3	99	54
25	S	Idaho Power	31	1.20	3.9	1.96	7	Mar.	15.8	61	35
78	S	Illinois Power	57	2.60	4.6	3.79	18	May	15.0	69	35
40	S	Indianapolis P. & L.	28	1.40	5.0	1.96	27	Mar.	14.3	71	38
19	S	Interstate Power	13	.74	5.7	1.04	4	Mar.	12.5	71	31
30	O	Iowa Elec. L. & P.	30	1.50	5.0	2.27	19	May	13.2	66	31
31	S	Iowa-Ill. G. & E.	31	1.80	5.8	2.37	3	Mar.	13.1	76	40
35	S	Iowa Power & Lt.	25	1.40	5.6	2.15	NC	Mar.	11.6	65	35
30	O	Iowa Pub. Serv.	16	.80	5.0	1.14	18	May	14.0	70	33
13	O	Iowa Southern Util.	22	1.20	5.5	1.77	11	May	12.4	68	36
56	S	Kansas City P. & L.	42	2.00	4.8	2.72	29	May	15.4	74	35
27	S	Kansas G. & E.	26	1.20	4.6	1.88	4	Apr.	13.8	64	26
40	S	Kansas Pr. & Lt.	23	1.20	5.2	1.90	21	Mar.	12.1	63	27
37	O	Kentucky Util.	26	1.28	4.9	2.03	D4	Mar.	12.8	63	35
7	O	Lake Superior D. P.	23	1.20	5.2	1.62	14	Mar.	14.2	74	38
6	O	Lawrence Electric	30	1.75	5.8	1.87	34	Dec.	16.0	94	62
17	S	Long Island Lighting	23	1.10	4.8	1.49	35	Mar.	15.4	74	34
41	S	Louisville G. & E.	60	2.20	3.7	3.92	22	Mar.	15.3	56	35
7	O	Lowell Electric Lt.	54	3.00	5.6	3.64	19	Dec.	14.8	82	59
9	O	Lynn G. & E.	29	1.60	5.5	2.03	1	Dec.	14.3	79	76
8	O	Madison G. & E.	44	1.60	3.6	3.46	8	Dec.	12.7	46	47
4	A	Maine Pub. Service	17	1.08	6.4	1.00	D32	May	17.0	108	31
5	O	Michigan G. & E.	45	1.50b	6.3g	3.77	14	Mar.	11.9	40	35
144	S	Middle South Util.	30	1.50	5.0	1.98	1	May	15.2	76	35
26	S	Minnesota P. & L.	27	1.40	5.2	2.20	23	May	12.3	64	34
2	O	Miss. Valley P. S.	30	1.40	4.7	2.53	4	May	11.9	55	31
10	A	Missouri Pub. Ser.	14	.60	4.3	.98	21	May	14.3	61	29
5	O	Missouri Util.	26	1.36	5.2	1.83	D3	Mar.	14.2	74	36
37	S	Montana Power	46	1.80	3.9	3.07	13	May	15.0	59	36
130	S	New England Elec.	17	1.00	5.9	1.24	7	Dec.	13.7	81	33
40	O	New England G. & E.	17	1.00	5.9	1.48	14	May	11.5	68	40
44	O	New Orleans P. S.	45	2.25	5.0	2.53	D5	May	17.8	89	40
2	O	Newport Electric	22	1.00	4.5	1.40	16	Jan.	15.7	71	34
77	S	N. Y. State E. & G.	38	2.00	5.3	2.87	17	Apr.	13.2	70	38
210	S	Niagara Mohawk Pr.	31	1.80	5.8	2.25	2	Apr.	13.8	80	34
75	O	Northern Ind. P. S.	36	1.80	5.0	2.82	11	Mar.	12.8	64	33
118	S	Nor. States Power	18	.90	5.0	1.16	10	Mar.	15.5	78	33
9	O	Northwestern P. S.	17	1.00	5.9	1.44	10	Mar.	11.8	69	25

1955 Rev. (Mill.)		(Continued)	7/11/56 Price About	Dividend Rate	Approx. Yield	Share Earnings* Current Period	% Increase	12 Mos. Ended	Price-Earns. Ratio	Div. Payout	Approx. Common Stock Equity
123	S	Ohio Edison	54	2.48	4.6	3.70	14	May	14.6	67	38
40	S	Oklahoma G. & E.	43	1.70	4.0	2.22	13	May	19.4	77	30
15	O	Otter Tail Power	27	1.60	5.9	2.26	18	May	11.9	71	34
443	S	Pacific G. & E.	50	2.40	4.8	3.39	9	Mar.	14.7	71	33
44	O	Pacific P. & L.	29	1.48	5.1	1.92	NC	Mar.	15.1	77	28
123	S	Penn Power & Light	47	2.40	5.1	3.30	8	May	14.2	73	29
210	S	Phila. Electric	39	1.80	4.6	2.47	7	Apr.	15.8	73	40
32	O	Portland Gen. Elec.	26	1.20	4.6	1.71	10	Apr.	15.2	70	39
58	S	Potomac Elec. Pr.	22	1.10	5.0	1.55	40	May	14.2	71	40
77	S	Pub. Serv. of Colo.	49	1.80	3.7	2.73	19	Mar.	17.9	66	38
273	S	Pub. Serv. E. & G.	34	1.80	5.3	2.26	16	Dec.	15.0	80	37
67	S	Pub. Serv. of Indiana	37	2.00	5.4	2.46	1	May	15.0	81	33
26	O	Pub. Serv. of N. H.	17	1.00	5.9	1.22	2	May	14.0	82	36
11	O	Pub. Serv. of N. M.	13	.68	5.2	1.03	8	Mar.	12.6	66	33
23	S	Puget Sound P. & L.	29	1.28	4.4	1.57	11	Mar.	18.5	82	56
52	S	Rochester G. & E.	30	1.60	5.3	2.12	13	Mar.	14.2	75	36
17	O	Rockland L. & P.	19	.70	3.7	.97	20	Dec.	19.6	72	29
8	S	St. Joseph L. & P.	25	1.40	5.6	1.70	1	Mar.	14.7	82	40
45	S	San Diego G. & E.	23	.88	3.8	1.46	42	May	15.8	60	40
8	O	Savannah E. P.	38	1.68	4.4	2.53	22	Apr.	15.0	66	28
8	O	Sierra Pacific Pr.	22	1.20	5.5	1.50	11	Mar.	14.7	80	28
154	S	So. Calif. Edison	51	2.40	4.7	3.34	10	Mar.	15.3	72	36
38	S	So. Carolina E. & G.	20	1.00	5.0	1.40**	4	May	14.3	71	29
6	O	Southern Colo. Pr.	16	.70	4.4	1.22	1	Feb.	13.1	57	37
210	S	Southern Company	22	1.00	4.5	1.42	18	Apr.	15.5	70	32
16	S	So. Indiana G. & E.	31	1.60	5.2	1.90	D16	Apr.	16.3	84	33
5	O	So. Nevada Power	19	1.00	5.3	1.37	5	Mar.	13.9	73	34
1	O	Southern Utah. Pr.	17	1.00	5.9	1.10	18	May	15.5	91	38
3	O	Southwestern E. S.	19	1.08	5.7	1.66	—	May	11.4	65	29
33	S	Southwestern P. S.	28	1.32	4.7	1.52	D4	May	18.4	87	30
21	A	Tampa Elec.	30	1.00	3.3	1.41	4	May	21.3	71	42
127	S	Texas Utilities	41	1.28	3.1	2.07	8	May	19.8	62	38
35	S	Toledo Edison	14	.70	5.0	1.08	10	Mar.	13.0	65	30
12	O	Tucson G. E. L. & P.	28	1.20	4.3	1.70	4	Dec.	16.5	71	33
119	S	Union Elec. of Mo.	27	1.40	5.2	1.73	3	Mar.	15.6	81	37
30	O	United Illuminating	53	2.60	4.9	3.22	3	Dec.	16.5	81	51
5	O	Upper Peninsula Pr.	30	1.60	5.3	2.18	D7	Mar.	13.8	73	36
38	S	Utah Power & Lt.	52	2.20	4.2	3.26	16	Mar.	16.0	67	42
106	S	Virginia E. & P.	44	1.80	4.1	2.67	11	May	16.5	68	34
24	S	Wash. Water Power	38	1.80	4.7	2.19	12	May	17.4	82	45
127	S	West Penn Elec.	28	1.40	5.0	2.11	9	May	13.3	66	29
64	O	West Penn Power	51	2.40	4.7	3.26	7	Mar.	15.6	74	33
11	O	Western Lt. & Tel.	33	1.80	5.5	2.70	32	Dec.	12.2	67	31
24	O	Western Mass. Cos.	39	2.20	5.6	3.22	7	May	12.1	68	52
95	S	Wisc. El. Pr. (Cons.)	35	1.60	4.6	2.44	3	Mar.	14.3	66	39
37	O	Wisconsin P. & L.	27	1.28	4.7	1.75	9	Mar.	15.4	73	35
34	S	Wisconsin P. S.	24	1.20	5.0	1.76	NC	May	13.6	68	35
		Averages			4.9%				15.0	72%	
		Foreign Companies									
188	S	American & For. Pr.	16	$ .80	5.0%	$2.00	5%	Dec.	8.0	40%	46%
139	A	Brazilian Trac. L. & P.	7	.50	7.1	1.18	D7	Dec.	5.9	42	72
63	A	British Columbia Pr.	46	1.20	2.6	2.05	37	Dec.	22.4	59	27
16	A	Gatineau Power	30	1.20	4.0	2.06	5	Dec.	14.6	58	30
18	O	Hawaiian Electric	45	2.20g	4.9	3.16	20	Dec.	14.2	70	50
11	A	Quebec Power	27	1.20	4.4	1.73	11	Dec.	15.6	69	48
45	A	Shawinigan Water & Pr.	90	1.80	2.0	3.48	30	Dec.	25.9	52	35

A—American Stock Exchange. B—Boston Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. *If additional common shares have been recently offered, earnings are adjusted to give effect to the offering. Percentage change is in the net income available for common stock. **Based on average number of shares. a—Estimated annual rate. The "A" stock receives stock dividends. b—Also 3 per cent stock dividend December 30, 1955, which is included in the yield. c—Also 2 per cent stock dividend January 10, 1956. e—Also 5 per cent stock dividend June 15, 1956. f—Also 5 per cent stock dividend August 15, 1956. g—Also 10 per cent stock dividend to stock of record April 30, 1956.



What Others Think

Accelerating the Civilian Reactor Program

In view of the double-barreled investigation voted by the House Appropriations Committee in connection with federal atomic power plant publicity and the "power issue politics" apparently behind it, a statement made by Elmer L. Lindseth of the Edison Electric Institute during Joint Congressional Atomic Energy Committee hearings on a bill to authorize AEC construction of nuclear power reactors in various parts of the country takes on new significance and sheds some light on the source and nature of the facts behind the controversy. The Appropriations Committee conducted a short, closed hearing session to determine why electric utility companies ran full-page newspaper advertisements designed to show that the private companies were making more rapid progress in the development of atomic plants than the committee majority believed warranted by the facts.

The second "barrel" of the inquiry never "fired" because the committee did not insist on subpoenaing representatives of the *St. Louis Post-Dispatch* to explain an editorial claiming that the government's power policy had "collapsed" and was in a stage of "agonizing reappraisal," when the paper pleaded its "freedom of the press" prerogatives.

Mr. Lindseth, president of the Cleveland Electric Illuminating Company and member of the EEI Committee on Atomic Energy, testified in opposition to the bill (S 2725), sponsored by Senator Gore (Democrat, Tennessee), in behalf of the 186 electric companies represented by the EEI. His testimony before the Joint Atomic Energy Committee contained the data objected to at a later date by Appropriations Committee members, as adapted for use in advertising form.

Mr. Lindseth said EEI member companies opposed the Gore Bill in particular, and legislation of its general type, "for several basic reasons." First, he said, the investigator-owned utility companies have been making and are continuing to make distinct and adequate progress in the development of nuclear power. Secondly, the projects which industry already is undertaking will demonstrate the practical value of power reactors for industrial or commercial purposes, which is the stated purpose of the bill. Thirdly, EEI believes, according to Mr. Lindseth, that the United States can maintain world leadership in the atomic field through continued emphasis on quality and without resort to a "crash" quantity program. Fourthly, by reason of the preference clause in the Atomic Energy Act of 1954, the bill if enacted would discriminate against the great majority of America's

NUCLEAR REACTORS IN THE UNITED STATES—COMPLETED, UNDER DEVELOPMENT, PLANNED, OR APPLIED FOR

Pressurized Water Reactors, Water Cooled and Moderated

Name	*Owned by—*	*Location*	*Function*	*Date of Operation*
Low-intensity reactor MTR mockup.	Atomic Energy Commission.	Oak Ridge, Tenn.	Research	1950
Materials testing reactor	do	Arco, Idaho	Testing	1952
Submarine thermal reactor:				
Mark I	Navy	do	Submarine	1953
Mark II	do	Nautilus	do	1955
Shippingport	AEC-Duquesne	Shippingport, Pa.	Power	1957
Westinghouse test reactor	Westinghouse	Blairsville, Pa.	Testing	1957
Engineering test reactor	Atomic Energy Commission.	Arco, Idaho	do	1957
Army package power reactor	do	Fort Belvoir, Va.	Power	1957
University of Florida reactor	University of Florida.	Gainesville vicinity	Research	1959
Yankee Atomic Electric Co.	Yankee Atomic Electric Co.	Rowe, Mass.	Power	1960
Consolidated Edison Co.	Consolidated Edison Co.	Indian Point, N. Y.	do	1960
Submarine fleet reactor	Navy	Not stated	Submarine	(1)
Large-ship reactor	Atomic Energy Commission.	Arco, Idaho	Large ship	(1)
Submarine advanced reactor	do	West Milton, N. Y.	Submarine	(1)

Boiling Water Reactors, Water Moderated and Cooled

Boiling experimental reactor:	AEC-ANL	Arco, Idaho	Experimental	1953
Borax I (destroyed)				
Borax II (rebuilt as Borax III).	do	do	do	1954
Borax III	do	do	Power prototype	1955
Experimental boiling water reactor.	do	Lamont, Ill.	do	1956
General Electric	General Electric	Livermore-Pleasanton, Calif.	Research-power	1957
Nuclear power group (dual cycle).	Commonwealth Edison.	Morton, Ill.	Power	1960
Elk River	Elk River Rural Electric Co-op Association.	Elk River, Minn.	do	1960

Swimming Pool Reactors, Water Moderated and Cooled

Bulk shielding reactor	AEC-ORNL	Oak Ridge, Tenn.	Research	1950
Convair research reactor	Not stated	Fort Worth, Tex.	do	1953
Tower shielding reactor	AEC-ORNL	Oak Ridge, Tenn.	do	(1)
Pennsylvania State University.	Penn State University.	University Park, Pa.	do	1955
University of Michigan	University of Michigan.	Ann Arbor, Mich.	do	1956
Naval Research Laboratories	Naval Research Laboratory.	Washington, D. C.	do	1956
American Machine & Foundry.	A. M. & F.	New York City area	do	1956
Battelle Memorial Institute	BMI	Columbus, Ohio	do	1956
Livermore Laboratory (low-power test reactor).	AEC	Livermore, Calif.	do	1957
Oak Ridge research reactor	do	Oak Ridge, Tenn.	do	1957
Omega West	do	Los Alamos, N. Mex.	do	(1)
Watertown Arsenal	Watertown Arsenal	Watertown, Mass.	do	(1)
Washington State	Washington State	Pullman, Wash.	do	(1)

NUCLEAR REACTORS IN THE UNITED STATES—COMPLETED, UNDER DEVELOPMENT, PLANNED, OR APPLIED FOR

Homogeneous Reactors

Name	*Owned by—*	*Location*	*Function*	*Date of Operation*
Low-power water boiler	AEC	Los Alamos, N. Mex.	Research	1944
High-power water boiler	do	do	do	1944
Super-power water boiler	do	do	do	1951
Homogeneous reactor experiment (dismantled).	do	Oak Ridge, Tenn	do	1952
Homogeneous test reactor 1 (dismantled).	do	do	Power prototype	1952
North Carolina State reactor	North Carolina State College.	Raleigh, N. C	Research	1953
Los Alamos power reactor 1	AEC	Los Alamos, N, Mex.	Power prototype	1956
Los Alamos power reactor 2	do	do	do	1956
Homogeneous test reactor 2	do	Oak Ridge, Tenn	do	1956
Armour Research Foundation.	Armour Research Foundation.	Chicago, Ill	Research	1956
Gamma Corp	Gamma	Mansfield, Mass	do	1956
UCLA Medical	UCLA	UCLA Medical Center.	Research and treatment.	1956
Wolverine	Wolverine Electric Co-op.	Vicinity Hersey, Mich.	Power	1959
Pennsylvania advanced reactor.	Penn Power & Light Co.	Pennsylvania	do	1962
North American Aviation	Not stated	Downey, Calif	Research	(1)

Heavy Water Reactors

Chicago pile 3	AEC	Chicago, Ill	Research	1944
Modified to Chicago pile 3'.	do	do	do	1950
Chicago pile 5	do	Lamont, Ill	do	1953
Massachusetts Institute of Technology.	MIT	Cambridge, Mass	Research-medical therapy.	1957-59
Chugach	Chugach Electric Association.	Vicinity Anchorage, Alaska.	Power	1961
Savannah River (5 reactors)	AEC	Aiken, S. C	Production	(1)
Brookhaven Medical	do	Upton, N. Y	Research	(1)

Graphite Reactors

Chicago pile 1	AEC	Chicago, Ill	1st reactor	1942
Rebuilt as Chicago pile 2	do	do	Research	1943
Oak Ridge X-10 area reactor	do	Oak Ridge, Tenn	Isotope production.	1943
Hanford 305 test reactor	do	Hanford, Wash	Testing	1944
Hanford (8 reactors)	do	do	Production	1944
Brookhaven National Laboratory.	do	Upton, N. Y	Research	1950
Thermal test reactor	do	Schenectady, N. Y.	do	1951
Sodium reactor experiment	AEC, NAA	Santa Susanna, Calif.	Power prototype	1956
Nebraska group	Consumers Public Power District.	Nebraska	Power	1959
Holyoke	City of Holyoke, Mass.	Vicinity Holyoke, Mass.	do	1960

Liquid Metal Fuel Reactors

Liquid metal fueled reactor	AEC	Brookhaven, N. Y.	Research-power	1959
Orlando	City of Orlando, Fla.	Vicinity, Orlando, Fla.	Power	1960

NUCLEAR REACTORS IN THE UNITED STATES—COMPLETED, UNDER DEVELOPMENT, PLANNED, OR APPLIED FOR

Name	*Owned by—*	*Location*	*Function*	*Date of Operation*
		Fast Breeder Reactors		
Experimental breeder reactor 1.	AEC	Arco, Idaho	Research	1951
Experimental breeder reactor	do	do	Power prototype	1959
Power Reactor Development Co.	Power Reactor Development Co.	Monroe, Mich	Power	1960
		Organic Moderated Reactors		
Organic moderated reactor	AEC	Arco, Idaho	Research-power	1957
Piqua	City of Piqua, Ohio.	Vicinity Piqua, Ohio.	Power	1960
		Various Type Reactors		
Los Alamos fast Clementine (dismantled).	AEC	Los Alamos, N. Mex.	Research	1946
Sodium intermediate reactor: Mark A	do	West Milton, N. Y.	Land-based prototype submarine.	1955
Mark B	do	Submarine *Sea Wolf*.	Submarine	(1)
Aircraft reactor experiment	Not stated	Not stated	Experimental	(1)
		Type Not Yet Selected		
Florida group	Not stated	Tampa Bay area	Power	1962–63

[1] Not stated.

Sources: Nuclear reactor data prepared by Raytheon Manufacturing Co., November 1955; releases, Atomic Energy Commission; semiannual reports, Atomic Energy Commission; various newspaper and magazine sources.

electric customers receiving service from investor-owned utilities. And finally, Mr. Lindseth declared, the building and operation of demonstration reactors by the government would not in any sense serve as a fair "yardstick" by which to measure atomic power costs, as claimed in other testimony received by the committee.

To support these conclusions, the EEI official presented data on private industry efforts in the planning and building of nuclear power plants, which taken into consideration along with AEC activities, tended to show that industry is ready to take major responsibility for the commercial development of promising reactor designs and variations with private capital.

He noted that, in addition to the reactors which will be constructed under the civilian applications program, the United States has had and is projecting a comprehensive program of military, propulsion, production, testing, and research reactors located throughout the country. "Progress made in the engineering, construction, and operation of these many different types of reactors has already been and will continue to be of great help in our efforts to overcome technological roadblocks in the civilian power reactor field," he stated.

In this connection, he inserted in the committee record the several tables which apparently formed the basis for advertising later drawn up and published in newspapers across the country by the electric companies. The tables, as here reproduced and as based on published sources, indicate a total of 89 different reactors completed or under development, planned, or applied for in the United States. A tabulation, based on public information and statements, shows a world-wide comparison. Mr. Lindseth asked the committee to note that the aggregate of all reported reactors world wide is less than the total for the United States alone; that is, among the 12 nations which have reported reactors in being or planned, the total number is 63, including 17 for Russia. The EEI official also appended a list of the nuclear power plants in which utility companies are participating and of the 106 utilities having AEC access permits, according to AEC releases.

At the conclusion of Mr. Lindseth's formal testimony, Senator Gore and other committee members had occasion to cross-examine the witness, but no charges of misrepresentation were made at that time. Senator Gore immediately made it plain that he considered the tables misleading, however:

> Senator Gore. Mr. Lindseth, by way of demonstrating whether or not this list of 89 which you have cited is mostly of the test-tube variety, would you be so kind as to point out one single power reactor, except for Shippingport, the nuclear portion of which is financed largely by the government, and a reactor to produce weapon materials or military propulsion, that has been constructed or on which construction has even started to generate power in as much as 5,000 kilowatts?
>
> Mr. Lindseth. To my knowledge, there is no reactor other than a military reactor producing power in the amounts which Senator Gore has limited the question to, 5,000 kilowatts.
>
> Senator Gore. Do you know of a single electric utility which has served as the principal contractor for the government in the construction of a single reactor for power purposes?
>
> Mr. Lindseth. No; I do not.
>
> Senator Gore. Why, then, do you assume that this should be primarily the prerogative of the utility industry?
>
> Mr. Lindseth. Sir, I hope I didn't use the word "prerogative." . . . It is not that a question is raised that there is a prerogative of business to do something which the nation has charged business with from its beginning and under which we have achieved our greatness.
>
> The question is: Why should we do it otherwise? The burden of our statement that progress under the conventional and traditional American system is adequate and encouraging, and our objection to the bill is not in its objectives, which seek the development of low-cost electric power, which is our firm objective. We are together on the objectives.
>
> Our sole difference is on the method, and it is S 2725 which proposes that we achieve the objectives by methods which we think are un-American and contrary to our history and traditions.

In other statements during the general discussion, Senator Gore admitted that the presentation of the EEI official was well prepared from a viewpoint differing with his own. "Your industry is essentially an electrical generation and distribution industry," he said, and "the construction of an atomic power reactor is quite a different thing from the standpoint of technology." According to the Senator from

NUCLEAR REACTORS IN THE WORLD—COMPLETED, UNDER DEVELOPMENT, PLANNED, OR APPLIED FOR

Country	Pressurized Water	Boiling Water	Swimming Pool	Homogeneous	Heavy Water	Graphite	Liquid Metal	Fast Breeder	Organic Moderated	Various Types	Not Specified	Total
U. S. S. R.	2				1	4					[1] 10	[1] 17
India			1									1
Switzerland			1		1							2
Canada					4							4
France					2	2						4
Norway-Holland					2							2
Sweden					1							1
Britain					2	16		2			8	28
Italy					1							1
Australia					1							1
Belgium						1						1
West Germany						1						1
Total, excluding United States	2		2		15	24		2			18	63
United States	14	7	13	15	11	17	2	3	2	4	1	89

[1] Including U. S. S. R.'s 5-year program (1956-60) during which time they claim they will build 10 different types of reactors. Data on types not available.

NOTE.—Basic source for this data was primarily from publication of Raytheon Manufacturing Co., Nuclear Reactor Data, November, 1955. Other sources were also used. Of the data in its publication, Nuclear Reactor Data, Raytheon Manufacturing Co. said the following:

"This chart has been compiled by the nuclear power group of the Raytheon Manufacturing Co. to provide a comprehensive outline of the reactor field during its first thirteen years. All known reactor projects throughout the world are represented—whether in actual operation, under construction, or in the late planning stage. Practically all of the basic data now available are believed to be included.

Tennessee, there are so many promising processes and methods which are not being tried and exploited and in which the country was not obtaining experience in actual construction that there is a vast field in which the government should operate.

His only "serious doubt" about the program proposed was whether it should be confined to six reactors.

Though some members of the committee clearly disagreed with the position taken in the EEI statement by Mr. Lindseth that nuclear progress on the part of private industry has been satisfactory and adequate, no objection as to the manner of presentation was expressed at the time of the hearing. The issue, as Senator Pastore expressed it, was that some people felt that private industry can develop the nuclear art without government participation of the sort proposed by Senator Gore in his bill, others felt that the government alone ought to do the job, and still others believed that private industry ought to do it, and that supplemental to that the government ought to participate by building reactors. If Congress was going to authorize the government to participate in this fashion, Senator Pastore felt that it ought to work out a preference clause, if any preference was to be given at all, in which the private companies would be considered, too.

Notes on Recent Publications

PUBLIC RELATIONS HANDBOOK FOR THE ATOMIC INDUSTRY. The proceedings of a two-day conference have been worked into a text on atomic public relations. The 178-page book is designed to assist public relations and advertising personnel in dealing with the various information problems relating to the application of this new energy source.

The paper-back edition includes papers and discussion on: uses of atomic energy, the atom as news, what the public wants to know, sources of atomic information, public thinking on the peacetime atom, approaching the public, and techniques and tools. The book also contains an appendix listing available films on atomic energy. The publisher is a nonprofit membership association of some 475 industrial firms, research and service organizations, labor groups, and educational institutions in the United States and 23 foreign countries. Among its activities, it sponsors the annual Trade Fair of the Atomic Industry, to be held this year in Chicago, Illinois, September 24th-28th. *Public Relations for the Atomic Industry*, Atomic Industrial Forum, Inc. 260 Madison avenue, New York 16, New York. July, 1956. Price: $3 per copy.

OIL AND NATURAL GAS CONSERVATION. The Interstate Oil Compact Commission has announced the publication of the pamphlet, "Principles of Petroleum Conservation." This pamphlet is a summary of petroleum conservation related to the regulation of oil and gas production, and is a report of the engineering committee of the Interstate Oil Compact Commission. This committee report was prepared as a revision of the 1941 report, which had widespread acceptance and distribution.

The report was prepared by a subcommittee of the engineering committee, headed by Professor Benjamin C. Craft, chairman, of the Louisiana State University. The report covers very briefly certain engineering requirements believed to be necessary for an effective petroleum conservation program. The items covered in the report are well spacing, well completion, reservoir control, allocation of production, and regulatory practices. In addition to a brief description of these items and certain related practices, the report also contains a selected bibliography.

Copies of this report may be obtained from the Interstate Oil Compact Commission, Box 3127, Oklahoma City 5, Oklahoma.

The March of Events

Hell's Canyon Dam Rejected

THE controversial $308,000,000 Hell's Canyon dam was rejected by a 51-to-41 vote in the Senate on July 19th. The administration won a major power policy victory when the Senate rejected the Democratic-backed proposal to have Uncle Sam build the dam.

The issue pitted government *versus* private power advocates and was a key test of Senate sentiment on the administration's "partnership power policy" and Democratic charges of "giveaways."

The single federal high level dam authorized by the defeated bill would have replaced three smaller dams Idaho Power has been licensed to build by the FPC.

TVA Files Suit

A $125,000 suit the Tennessee Valley Authority filed against a Nashville coal company and the Phoenix Assurance Company of New York last month was placed on the docket of the federal court at London, Kentucky.

TVA charged the coal firm contracted to supply 446,950 tons of coal from Whitley county during the two-year period from July 1, 1954, but supplied only 173,887 tons. TVA said it had been forced to buy the additional coal on the open market at much higher prices. The suit said the assurance firm was surety on a performance bond.

Louisiana

Bill Passed Enlarging Commission

THE state legislature last month gave approval to a proposed state constitutional amendment to enlarge the Louisiana commission from three to five members.

The amendment will be submitted to the voters at the November election.

The measure provides that the governor can name the two new members to serve until elections for one new member are held in 1958 and for the other in 1960. The six-year terms of the present members would remain unchanged.

Commission's Order Appealed

AN appeal from a rate reduction ordered by the state commission was filed by Southern Bell Telephone & Telegraph Company in the district court at Baton Rouge. Rejecting the company's request for about a $6,000,000 rate increase, the commission instead called for a rate cut of $3,940,000 annually.

Maine

Permitted to Stop Cost Sharing

THE state public utility commission last month authorized Central Maine Power Company to discontinue sharing the cost of new electric connections with its customers. The utility in 1947 started furnishing without cost the main switch and fuse box and its connections, usually located in the cellar, installed in all new structures. The purpose was to help provide for fully adequate wiring.

Starting in 1948 a charge of $10 was made for this service and in 1954 the charge was increased to $16. Now the customer will have to pay the full amount, averaging $25 to $30, the commission said, adding that Central Maine Power was virtually unique in assuming any of this expense.

Michigan

Space-heating Customers Allowed

THE Michigan Consolidated Gas Company announced it would begin taking on 60,721 new space-heating customers. The Michigan commission had authorized the additional customers last May 22nd, but the FPC did not modify a ceiling regulation limiting the number of space-heating customers served by outlets of the Michigan Wisconsin Pipe Line Company until July 11th. Michigan Consolidated is a customer of Michigan Wisconsin.

The natural gas supply of Michigan Consolidated will soon be increased by supplies from the American Louisiana Pipe Line Company, whose $130,000,000 pipeline, which will deliver 200,000,000 cubic feet of gas a day to Michigan Consolidated, is slated to be finished this summer.

Mississippi

Utility Tax Provision Attacked

A COURT order to void payment of a 2 per cent franchise tax which utilities are required to pay municipalities under a new state law was sought by South ern Bell Telephone & Telegraph Company in a suit filed in federal district court last month against the city of Meridian.

Company officials said it was a test case to declare the provision invalid in all municipalities in the state as far as they are concerned.

Under the new public utilities law enacted by the 1956 Mississippi legislature, utilities are required to pay 2 per cent of gross revenue to municipalities in which they operate. This is for use of public streets.

The case was scheduled to be heard by Federal District Judge Mize on July 26th.

Oregon

FPC Gives Permit to PUD

THE FPC has granted a license to the Chelan County, Washington, Public Utility District to construct Rocky Reach dam on the Columbia river.

The project, which is in Chelan and Douglas counties, would cost an estimated

$200,000,000 and have an initial capacity of 630,000 kilowatts.

Preliminary plans for this dam site were part of the comprehensive plan of the Columbia basin development.

Pushes River Jobs

PORTLAND GENERAL ELECTRIC COMPANY announced recently that applications for state licenses to construct the North Fork-Faraday hydroelectric developments on the Clackamas river had been filed with the hydroelectric commission of Oregon. Preliminary permits for the projects, to cost an estimated $19,000,000 and produce 78,000 kilowatts of power, were granted by the state commission on April 12th. PGE officials estimate that the projects can be completed and in operation by the end of 1958, if the license applications are processed expeditiously.

Application for a federal license to construct the North Fork project was pending before the FPC.

Pennsylvania

Automatic Rate Change Plan Denied

THE Pennsylvania Public Utility Commission rejected (3 to 2) a proposal by Manufacturers Light & Heat Company to make automatic rate increases to cover higher costs of the natural gas it purchases.

The prevailing decision took the stand that automatic rate adjustment clauses of any kind serve to defeat the purpose of regulation and that all increases, for whatever reason, should be reviewed by the commission before they become effective.

The company said the proposed "gas purchase adjustment clause," applicable on one day's notice, would eliminate losses because of the lag between the time it starts paying higher prices to is suppliers and the final commission action on the request to pass it on to the consumers.

The firm, a subsidiary of Columbia Gas System, Inc., said that lack of automatic increases to cover the higher price of gas it buys had resulted in an "irrecoverable loss" of $4,699,000 in recent years. It was further asserted by the utility that the "urgent need" of the automatic rate increase clause had been recognized and approved by 33 regulatory commissions in the nation.

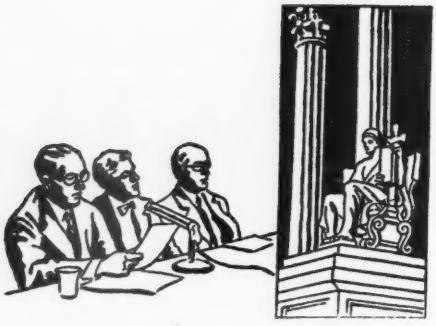
Under present state regulations, the company must file new rates for consideration by the commission on 60-day notice to its 242,000 consumers in 22 counties, mostly in western Pennsylvania. Under the commission's majority ruling, it makes no difference whether the application for more revenue is based on a higher supplier price approved by the FPC, higher operating costs, or both.

Texas

City Enters Gas Suit

THE Texas Railroad Commission early last month notified the city of Houston that it could intervene in the gas rate case of the Houston Natural Gas Corporation on November 1st. The city has hired a rate expert to present arguments in an attempt to hold the gate rate price of gas down.

The Houston Pipe Line Corporation, which supplies gas to Houston Natural, is seeking a higher price for the gas it sells. The gate rate affects the consumer rate. Other cities are joining Houston in the attempt to hold the price line.



Progress of Regulation

Trends and Topics

Conditional Orders to Bypass Jurisdictional Limitations

ACCOMPLISHMENT indirectly, by imposition of conditions, of what might not be accomplished by direct order has been attempted by legislative bodies and by regulatory authorities. An example of this method of approach is witnessed in recent congressional efforts to attach conditions relating to racial discrimination when acting upon a bill providing for federal grants to states for school construction. An example of the refusal of a regulatory body to follow this course may be noted in the recent decision of the Federal Power Commission in *Re* Panhandle Eastern Pipe Line Co. Opinion No. 292, June 30, 1956 (reviewed generally in this issue of PUBLIC UTILITIES FORTNIGHTLY at page 205).

Authorization Not Subject to Service Condition

A presiding examiner had found that Panhandle was discriminating against certain gas distributing companies, and he concluded that the FPC could eliminate such discrimination by attaching to a certificate authorizing construction of facilities a condition that the company enlarge certain laterals to provide more service to those companies. The commission upheld a contention by Panhandle that the effect of the order would be to compel the company to enlarge a lateral, in violation of § 7(a) of the Natural Gas Act, since it had been held by a federal court (100 PUR NS 8) that the commission had no authority to compel such enlargement.

Despite the method employed, whether by direct order or by attaching a condition, the effect would remain the same. The company would be compelled to enlarge its facilities contrary to the express declaration of the court that this was beyond the power of the commission. To impose such a requirement would put the commission in the position of doing indirectly what it was forbidden to do directly.

It had been argued that since the action taken by the company under such a condition would be "voluntary," not "mandatory," imposition of the condition would be a permitted exercise of power. Such a distinction, said the

commission, was "completely hollow" in view of the fact that the condition would impose heavy economic pressures upon the company. A "choice" between the receipt of a certificate subject to the condition and denial of authorization for refusal to accede to the condition cannot fairly be called "voluntary." There would be coercion precluding the free exercise of managerial discretion.

Conditions Must Not Be Arbitrary

Commissions, in granting authority, frequently attach conditions to their orders. Conditions may relate to such matters as reports, time limits, assignability, and scope of service. Commissions have power to impose "reasonable" terms, regulations, and restrictions. But, as stated by a Nebraska court, a commission cannot impose arbitrary conditions (14 PUR NS 209).

The Pennsylvania commission many years ago, after referring to the fact that it could not add to or take from charter powers, decided that an application for operating authority evidencing approval of a utility charter to operate in specified territory could not be granted upon condition that operation would be confined to the part of the territory not actually served by others (PUR1916B 430).

The Illinois supreme court held that the commission had no power to withhold a certificate from a natural gas pipeline company until the company agreed, as a condition subsequent, to sell gas to municipalities where the company's public engagement extended only to the supply of gas at wholesale (16 PUR NS 312).

The Wisconsin supreme court, however, held that the commission had authority, in approving the installation of a generating plant by a municipality, to impose the condition that the municipality should waive consideration by the commission in the fixing of rates of any consequent increase of cost of service. The commission had not ordered the utility to install the plant as that was a matter for managerial discretion on the part of city authorities. The question whether this would throw an unjust burden upon taxpayers was said to be a matter beyond the scope of the proceedings relating to the commission's order (34 PUR NS 510).

Conditions Relating to Extraneous Matters

In the words of the Arkansas supreme court, the statutory power of the commission to attach to the exercise of rights granted by a certificate such terms and conditions as in its judgment the public convenience and necessity may require relates to the methods of construction and the quality and extent of service rather than to controversies between companies in respect to such matters as damage claims (30 PUR NS 53).

A New York court expressed the opinion that the commission, in exercising its various and divergent powers, should pass upon each subject separately rather than to grant a request of a company only upon its consent to observe a commission order concerning an extraneous matter. It was decided that the commission had no jurisdiction to require, as a condition precedent to giving

consent to the issuance of new securities, that the company agree to change its books of account in such a manner as to reflect a deficit rather than a surplus, adopt a straight-line method of accounting for depreciation, and apply stated amounts from annual earnings for the reduction of the newly created deficiency (73 PUR NS 43).

According to a West Virginia court the commission could not, in authorizing the transfer of operating authority, impose conditions upon the ownership and transfer of stock (68 PUR NS 291). The statute permitted the commission to impose such conditions as it might deem proper, but the court said that it was confined to conditions involving the actual operation of the carrier.

Conditions Impairing Constitutional Rights

The United States Supreme Court, in a case involving the Standard Oil Company of Louisiana (PUR1929A 450), after deciding that a state had no power to regulate gasoline prices, declared that a state may not impose upon foreign corporations, as a condition to doing business within the state, restrictions which would require the relinquishment of rights guaranteed by the Constitution. The state could not require that such a corporation might carry on its business only by complying with conditions prescribed by the statute relating to price control.

The Interstate Commerce Commission attached a condition as to a reorganization plan agreed upon by security holders, when it exercised its power to regulate the securities of an interstate railroad. The United States Supreme Court decided that the commission could not exercise a power, which it otherwise lacked, by attaching such a condition to its approval. The court pointed to the fact that the agreement came within constitutional protection and that any legislative or administrative edict interfering with it must fail as a futile attempt to accomplish what the Constitution does not permit (PUR1931B 314).

A Tennessee court, although conceding that the state commission had power to impose conditions relating to the time allowed for construction, method of construction, equipment, maintenance, service, and operation, in granting a certificate, refused to agree with the argument that a commission having power to withhold its consent altogether might impose any terms it pleased as a condition to the grant of its favor. The court declared that "no administrative board of this state has a right to require a citizen to bargain away his constitutional guaranties, but, rather, all departments of the state government should endeavor to preserve such rights with jealous care" (PUR1928D 50).

A state, it has been said, cannot refuse the use of its highways because an applicant for a license refuses to yield on an unconstitutional requirement (PUR1931C 308). Similarly, the Iowa supreme court decided that a pipeline company could not be required, as a condition of constructing and operating a pipeline, to waive constitutional rights (1 PUR NS 198).

Review of Current Cases

Gas Supply Sufficient to Justify Extensions Of Lines and Exportation of Gas

THE Federal Power Commission authorized Panhandle Eastern Pipe Line Company and its subsidiary, Trunkline Gas Company, to construct and operate additional facilities for the transportation and sale of natural gas. The various requirements of public convenience and necessity were satisfied. There was a satisfactory showing as to financial ability, economic feasibility, and adequacy of gas supply. Authority was also granted for the exportation of gas by Panhandle to Canada for sale and delivery to its present customer, Union Gas Company of Canada.

Certificate for "Extension"

A question had been raised as to the necessity of obtaining authority for so-called "repiping facilities." The construction, already authorized temporarily, was designed to provide for three independent streams of gas from the compressor station, instead of two, and to effect the operation of the system at three discharge pressures. The construction consisted of adding another suction header and a discharge header, laying new yard lines, installing engine piping to connect the engines to the proper headers, and installing new compressor cylinders and compressor equipment to handle higher pressures or greater volumes. This resulted in increased capacity.

The commission said it considered that a certificate was required by § 7(c) of the Natural Gas Act for the construction and operation of these facilities. This section prohibits construction or extension of facilities without such a certificate. The commission said the word "extension" is nowhere defined in the act and nothing either from the act's legislative history or otherwise was cited which justified giving this word other than its usual and customary meaning. Webster's New International Dictionary defines "extension" as the act of extending, or state of being extended; a stretching out; enlargement in breadth or continuation of length; increase; augmentation; expansion. The new facilities, enlarging as they did the previous facilities and increasing the incremental capacity of the system, were said to be clearly "extensions" of facilities within the purview of § 7(c).

No Certificate for Pressure Change

The commission, however, did not agree with a contention that certificate authorization was required for qualifying lines for high-pressure operation through hydrostatic testing. The practicalities of pipeline operation, said the commission, require that managerial discretion must be permitted a degree of latitude in fixing the pressures at which various operations will be conducted.

Exportation of Gas

As to the matter of gas supply needed for exportation, the commission said it must be kept in mind that in passing on this question the commission must consider the matters of record concerning the past and present experience of an applicant in securing and enlarging its supply of natural gas and the degree of reliability an applicant has demonstrated in meeting the requirements of its gas customers.

The commission also passed on a question relating to attaching conditions to the certificates. This is discussed in this issue of the FORTNIGHTLY, under Trends and Topics, at page 202. *Re Panhandle Eastern Pipe Line Co. et al. Opinion No. 292, Docket Nos. G-1705 et al. June 30, 1956.*

FPC Order 174-B to Independent Natural Gas Producers Not Subject to Review

COMPLAINING preliminarily of an inadequate hearing, a number of independent natural gas producers asked a United States court of appeals to review Order 174-B of the Federal Power Commission requiring independent producers as defined in the order to file rates and apply for certificates of convenience. The court ruled that the order was entered under the commission's rule-making power and was therefore not appealable.

The Natural Gas Act, § 19 (b), provides that "Any party to a proceeding . . . aggrieved by an order issued by the commission . . . may obtain a review. . . ." But the order complained of was not issued in an adversary proceeding to determine violations of the Natural Gas Act or a commission ruling, the court pointed out.

The order purported to be issued under the rule-making power of the commission and was of general applicability, addressed to all independent producers as defined in the order, and to no one in particular.

Full Hearing Accorded

Prior Order Nos. 174 and 174-A, the latter modifying the former, were entered by the commission without giving notice or opportunity to be heard. Upon application by the producers for rehearing on Order 174-A, however, the commission granted opportunity to file briefs and present oral argument. Order 174-A was thereupon reissued, immaterially changed, as 174-B, the order upon which the appeal in this case was taken.

The producers asserted that this procedure did not afford them the hearing to which they were entitled, even assuming that 174-B was a rule-making order. They cited § 4 of the Administrative Procedure Act which requires that notice and an opportunity to participate in rule making be accorded to interested persons. Assuming, *arguendo,* that a hearing was required as to the order appealed from, the court ruled that the producers were afforded full hearing in the proceedings, so that they had no cause for complaint on that score.

Jurisdiction

Without admitting that the commission had jurisdiction over them, the producers argued that the order would force them to submit to the jurisdiction of the commission. The order left to the independent producers the determination of whether they were subject to the act, but if they declined to comply with the order and were then found to be subject to the act, they would be liable to severe penalties. The court recognized the difficulty for the producers but observed that it was the only practicable way the commission could make a beginning. The only alternative would have been to hold individual hearings for innumerable companies to determine whether they came within its jurisdiction.

It was said that by applying for a

certificate as required by the order, the applicant necessarily submitted to the commission's jurisdiction. The court disagreed, pointing out that the application may be a qualified one reserving to the applicant the right to challenge the jurisdiction of the commission.

On June 7, 1954, the United States Supreme Court handed down its decision in the Phillips Petroleum Case (3 PUR3d 129), bringing independent producers under the Natural Gas Act. Following this decision the commission required producers to file rates which were in force as of June 7th. The producers claimed this requirement amounted to the fixing of retroactive rates, rendering the order appealable. Again, the court noted that the commission was faced with the problem of making a beginning. Should such rates in a particular case prove inequitable, they could be corrected in a proper proceeding. And the fact that the effective date might work hardship in a particular case would not make the order definitive and therefore subject to review.

In support of the court's review jurisdiction the producers pointed to § 10 of the Administrative Procedure Act, which provides for review where other statutory authority is absent or inadequate. But the act was held to be inapplicable. The court indicated that § 19 (b) of the Natural Gas Act adequately provides for review. *Amerada Petroleum Corp. v. Federal Power Commission, 231 F2d 461.*

Escalator Clause No Automatic Bar to Rate Increase under Bond

THE Arkansas supreme court has upheld a commission order authorizing a gas rate increase under bond despite the fact that the company's petition included an escalator clause which would have permitted automatic rate adjustments to reflect changes in taxes and cost of purchased gas. In approving the bond and allowing the rates to become effective, the commission had eliminated the escalator clause pending an investigation and hearing.

Gas consumers insisted that inclusion of the clause in the company's petition for a rate increase automatically prevented the commission from allowing the rates to go into effect under bond. The court refused to hold, however, that the commission was without power to eliminate the escalator clauses before approving the bond. It pointed out that the commission has statutory power to supervise and regulate every public utility. Certainly, it said, if the commission can supervise and regulate a public utility, it can strike the escalator clauses out of a proposed rate increase before allowing it to go into effect.

Hearing Requirement

The court did acknowledge the fact that the governing statute provides that a hearing must be held before any sliding-scale or automatic adjustment of charges can be made effective. But it held that the company had a right, when it filed its schedule, to ask that its monthly rate go into effect under bond and that on final hearing the escalator clauses be considered. Inclusion of these two requests in the one schedule was not fatal to the power of the commission. A petition for a rate increase is not defective merely because it asks for more than is to be allowed on preliminary hearing. *Aluminum Co. of America v. Arkansas Pub. Service Commission et al. 289 SW2d 889.*

Telephone Service Denial to Bookmaker Upheld

THE supreme court of New Jersey has upheld a commission order (11 PUR3d 52) declining to direct a telephone company to reinstate service to a publishing company. The court held that under the statute making it a misdemeanor for a telephone company knowingly to carry messages which will further the interest of any unlawful pursuit or enable a person to carry on an illegal business, the telephone company had the right and duty to discontinue service where it knew or had sufficient reason to know that such service was being used in aid of bookmaking.

The court found that the business of the Paterson Publishing Company was primarily set up to serve bookmakers and their patrons and that during its operations it, in fact, did serve such persons. The court said that bookmakers and those who aid and abet them are equally condemned by the policy of the law.

The court conceded that a telephone company is under a general obligation to serve the public without arbitrary discrimination and that it is not justified in refusing service to legitimate business enterprises simply because they disseminate information which may possibly be used by some for illegal purposes. For example, it pointed out, reputable newspapers contain racing results and other sporting items which are readily available to all members of the public including, incidentally, those who may be engaged in bookmaking or other illicit activities. But, it observed, these racing results are delayed rather than immediate. No charges are imposed beyond the normal prices of the newspapers, and the newspapers are not distributed for the primary purpose of furthering gambling or other illegal activities. In the instant case, however, the court said that the operation conducted by the publishing company was not a legitimate one which was only incidentally used by persons participating in bookmaking. On the contrary, its very design was to serve such persons. *Paterson Publishing Co., Inc. v. New Jersey Bell Teleph. Co. 122 A2d 599.*

Legality of Escalator Clauses a Question For Commission

RULING that the state commission was the proper forum to determine the legality of escalator clauses proposed by a gas company, the Arkansas supreme court affirmed a lower court decision denying an injunction to prevent the commission from holding a hearing on the company's application. Besides the escalator clauses, which were conditioned upon the cost of gas and possible tax increases, the application set forth a basic rate, admittedly legal, which the commission allowed to go into immediate effect under bond, pending a final determination. The escalator clauses, however, were not permitted to be applied until further order.

Industrial consumers claimed that the whole rate schedule was rendered void by the inclusion of the escalation provisions since, they asserted, the state law did not contemplate their use. Therefore, it was maintained, the commission acted beyond its authority in allowing the basic rate to be applied, even though the contingencies upon which the escalator clauses depended for their application had not happened.

The consumers' only grievance in these circumstances, said the court, was that the escalator clauses were filed in the commission's office. They were not otherwise effective.

The state commission's hearing on the merits of the gas company's application would afford the consumers ample opportunity to attack the legality of the escalation provisions, and the legal administrative remedy thus being adequate, injunctive relief was precluded. *Monsanto Chemical Co. et al. v. Robinson et al. 290 SW2d 6.*

Stock Dividend Disapproved to Preserve Strong Position for Future Financing

PERMISSION to declare a stock dividend was denied a water company by the Connecticut commission in order that the company might preserve a sound financial structure which would facilitate the attraction of capital for future expansion. It was urged that the proposed dividend might result in a desirably wider distribution of capital stock.

The company's debt amounted to $1,000,000, common stock was $2,000,000, and earned surplus was nearly $1,000,000. The proposed dividend would reduce earned surplus by $500,000. Par value of the stock was $20 a share, and book value $29.75. The dividend would have reduced the book value by approximately $6 a share. Cash dividends paid by the company since 1945 were at a rate of not less than 9 per cent.

The commission noted the need for future plant expansion to meet the needs of a growing area, together with the resultant need for new capital. The sounder the company could maintain its financial structure, the more advantageous the terms on which it could obtain new capital.

The commission was of the opinion that the financial position would be stronger if the stockholders forewent the contemplated dividend.

It was observed, moreover, that for many years public service companies in Connecticut had pursued without exception a policy of issuing new stock only for property or money. The instant application was the first proposed departure from this sound policy. *Re Stamford Water Co. Docket No. 9282, June 19, 1956.*

Service Extension to Real Estate Subdivision Denied Because of Inadequate Revenues

THE New Jersey commission denied a real estate company's application for an order requiring a water company to extend its existing facilities for both water and sewer service to a new real estate subdivision. A member of the real estate firm testified that there were no firm commitments for construction money for the 19 houses contemplated for the tract and that he was in no position to build all the houses without such money and commitments for permanent mortgages. The only business the water company could reasonably be assured of obtaining from this extension was one house that had already been completed and two houses that were in the process of construction.

The cost of the proposed water extension would amount to over $2,000 while the proposed extension of sewer facilities

would cost more than $11,000. The commission said that since the only revenue the company could be assured of would be approximately $200 a year, the requested extension would not provide sufficient business to warrant an order directing the company to construct it.

The commission held that the fact that a utility company will not realize a profit through a specific extension of its facilities is not dispositive of the matter, but it is one of the controlling factors that must be considered in determining the reasonableness of an order requiring a service extension.

However, the criterion is the over-all return to the company, since an extension that does not bear its fair share of the entire return would necessitate an increase in the cost to all other users of the company's services.

The commission did provide, however, that the real estate company might obtain an extension order if it could assure immediate construction of the proposed 19 houses and pay specified amounts toward the cost of constructing the extension. *Kurkjian, President of Courtney Estates, Inc. v. Lakewood Water Co. Docket No. 8918, June 6, 1956.*

Municipal Payment for Hydrant Service in Parts of City Does Not Require Free Service in Others

THE Texas court of civil appeals upheld a water company's action to recover a balance due from a realty company for fire protection service in one section of a municipality. It ruled that the mere fact that the company furnishes such service in certain areas of a municipality which pays for that service does not mean that it must furnish similar service to other areas free of charge, in the absence of a contract obligating it to do so and where it has not assumed that obligation.

The company furnished water and fire protection service to the city and its inhabitants. It charged extra for the latter service because it required greater capital investment, larger facilities, and reserves of water than would otherwise be necessary. Except for the area in question the city rather than its inhabitants paid that extra charge.

The realty company purchased from the federal government a housing project in the city. The water company had been furnishing water and fire protection service to this area, and had been charging the regular rates. The government paid these charges.

Upon purchasing the property the realty company requested a continuation of the same service. The water company complied with the request and continued to make the same charges.

Rate Discrimination

The realty company argued that the mere fact that a water company supplies fire protection service to most areas of a municipality without direct cost to those who live or own property in the areas precludes it from charging those who live or own property in other areas of the city for similar service unless such charges are authorized by an express contract.

The court rejected this proposition, saying that the company owed the realty company no special duty in this respect beyond not discriminating against it. No discrimination was reflected by the record. The court held the water company could not be charged with discriminating

against the realty company merely because the city saw fit to pay for fire protection service for some of its areas and not others.

Implied Contract

The circumstances were deemed to be such as to give rise to an implied contract in fact. The realty company expressly requested a continuation of the same service the water company had been supplying the government. This included fire protection. Pursuant to that request the water company supplied the service. The court said that there was no reason to suppose that the service would be supplied without charge and that since the water company had dealt with no one else regarding the service, the realty company should have anticipated that it would be looked to for compensation.

The evidence left no doubt that the realty company desired the service and expected the water company to supply it. It was supplied regularly and accepted with all its benefits. Among these were materially lower fire insurance rates than would otherwise have been in force. The court concluded that justice and equity required the realty company to pay for the service and that the law implied a promise on its part to do so. Otherwise the realty company would have been, in effect, unjustly enriched at the water company's expense. *Riverside, Inc. v. Gulf States Utilities Co. 289 SW2d 945.*

Moot Rate Appeal Dismissed

A QUESTION of a railroad's right to apply reduced rates which had expired under its tariff, having been declared moot by the Indiana commission, was dismissed upon appeal to the state supreme court. When an appeal presents only a moot question, said the court, it will be dismissed, unless the question presented involves a matter of great public interest, or one affecting the public generally. No such public interest was found to be involved in this appeal.

Before the reduced rates expired, the commission entered an order requiring their cancellation. The railroad then asked a trial court to set aside the order. Materially different evidence being presented at the trial, such evidence was certified to the commission for further determination. Since by this time the reduced rates had expired, the commission entered another order declaring the issue in the case to be moot. The supreme court ruled that the evidence supported this determination. *Chicago & Eastern R. Co. v. Indiana Pub. Service Commission, 134 NE2d 55.*

Book Entry "Intangibles" Excluded from Rate Base

A WATER company seeking approval before the New Jersey commission of increased water and sewer rates presented both investment and reproduction cost estimates as measures of value. The commission, after studying the record as a whole, concluded that a rate base calculated on the basis of book value of fixed capital, less reserve for depreciation and extension deposits, as adjusted for certain intangibles, and including an allowance for materials and supplies and working capital, would be reasonable. The additional revenues granted would produce a

return of 6 per cent, which was considered fair.

The company had relied upon its books of account in order to determine "net investment." From an engineering study made in 1915 when the properties had first been acquired, the company had included certain intangibles in its estimate, such as "organization," "franchises," "other intangible utility plant." These intangibles had remained unchanged on the company's books since 1915.

The record did not show the cost incurred for organization expenses, but based upon the commission's knowledge of this item for similar companies, the amount was not considered excessive. Since there was nothing to show how the figures for franchise and other intangibles were arrived at, the amounts listed in such accounts were excluded from the net investment rate base.

Reproduction Cost of Little Value

Upon cross-examination, it was brought out that the company's reproduction cost estimate contained certain flaws. A 2½-story building had been fully inventoried and priced, notwithstanding that only part of the first floor was being used, and that existing 16-inch walls were priced although there was no apparent need for walls of that type at present. The company witness stated that if he were redesigning today, he would use the most modern equipment.

The foregoing indicated to the commission some of the deficiencies in the methods and practices used, and made the administrative body conclude that the evidence, as developed, was of little value for determination of the rate base. However, said the commission, it did have some value for the purpose of testing the existence and location of property.

The witness said that some of the deficiencies in the reproduction cost estimate were corrected by his consideration of accrued depreciation; *i. e.,* the net value he showed for the 2½-story building was equivalent to cost of reproducing a smaller type building.

The commission considered the exhibits and particularly the sinking-fund compound interest calculations on which the accrued depreciation was based, and concluded that the witness' estimate of accrued depreciation, as calculated by him, and as related to reproduction cost new, was likewise of little value for the purpose of determining rate base. However, the commission thought it interesting to note that the reproduction cost depreciated as determined by the witness, if adjusted for all the items developed in cross-examination, produced a net result larger than the amounts shown on the company's books. *Re Lakewood Water Co. Docket No. 8766; April 11, 1956.*

Plan Approved for Establishing Rate Zones in Cities

In keeping with its previous opinions, the California commission approved a plan proposed by Pacific Gas and Electric Company for establishing rate zones in corporate limits. Tariff changes which were then before the commission for approval and which were fixed on the basis of city limits as the sole criterion for the establishment of rate zones were permanently suspended at the instance of the company. New changes consistent with the principles of the proposed plan were approved.

The plan provided that the application

of lower rate levels should be restricted to the area of incorporated territory which has the general characteristics of a city. Such areas would include subdivisions under active development. While the company's final decision in fixing the boundaries of rate zones would be based on the informed judgment of company personnel, general criteria such as number of customers, customers per mile of line, and industrial areas, besides other pertinent factors, would be used as guides. New incorporations and annexations, as well as those portions of incorporated areas to which lower rate levels are not initially applied, would be reviewed annually to determine whether lower zone rates should be allowed.

The commission observed that the final fixing of rate boundaries and the application of rates would, of course, be subject to review by the commission. *Re Pacific Gas & Electric Co. Case No. 5706, May 28, 1956.*

Abandonment of Passenger Service Disapproved For Lack of Proof

THE Massachusetts commission refused to authorize a railroad to discontinue local passenger service on an intrastate branch of its line operating from Providence to Worcester. Direct expenses allocable to the Massachusetts service were shown to be grossly disproportionate to the passenger revenues for the Massachusetts portion of the run plus local passenger service. Frequent bus service paralleling the rail operations was available. Up to this point the commission indicated that it would be disposed to authorize abandonment of passenger service. The record in a prior proceeding revealed, however, that the company secured considerable revenue from head end traffic; *i. e.*, mail, express, newspapers, and milk. That record also disclosed that substantial revenue attributable to the Massachusetts branch was derived from through service. In the present proceeding no evidence was produced respecting these two sources of revenue, though a questionable study of meager freight income was offered.

The commission observed that a railroad which seeks to withdraw passenger service linking important cities has the burden of proving that such action is consistent with the public interest. In neglecting to present the complete situation as to its operations over the branch line, the applicant company failed to discharge its burden of proof. *Re New York, New Haven & Hartford Railroad Co. DPU 11654, May 14, 1956.*

Commission Stand on Public Convenience and Necessity For Certificate Modification Affirmed

THE question of public convenience and necessity was a key issue when a railroad's subsidiary appealed to the Kansas City court of appeals from commission denial of a request for modification of its motor freight carrier certificate. Present authority was limited to operations between the railroad's depots. "All-out" authority had been sought; *i. e.*, pick-up and delivery service directly to customers.

At the commission hearing, evidence had been presented in an attempt to prove

public convenience and necessity, but the commission had concluded that adequate service of the type proposed was being rendered by existing carriers in the area and that the requested authority, if granted, would have an adverse financial effect on them. The commission had denied the application on the ground that the company had failed to prove public convenience and necessity. On appeal, the company changed its position and claimed that public convenience and necessity had already been shown when application had been made many years ago for the limited authority.

The court explored the commission's theory that it was authorized to grant two types of certificates to rail carriers applying for authority to operate trucks. In some cases, limited authority and in others "all-out" authority. The commission contended that "all-out" service could be authorized only after proof of public convenience and necessity for that type of service.

The denial was affirmed. While the commission's interpretation of its authority was held not binding on the courts, nevertheless it was thought persuasive of the correctness of the procedure and practice followed. In every case where called upon to grant a permit or to authorize additional service, said the court, the commission should be guided primarily by considerations of public interest. Consequently, the question of public convenience and necessity was of prime importance in this case. The evidence supported the commission's conclusion that public convenience and necessity for the type of authority sought had not been shown. *State ex rel. Missouri Pacific Freight Transp. Co. v. Missouri Pub. Service Commission, 288 SW2d 679.*

Carrier's Legal Title to Freight Termed Subterfuge Unavailing to Evade Regulation

An arrangement whereby a company operating as a motor carrier purchased and took legal title to fuel oil which it transported and sold to the public generally, was declared by the North Carolina commission to be a mere subterfuge to evade regulation. While the company held limited irregular route common carrier authority as well as limited contract carrier authority, it contended that as to the fuel oil business, it was an "owner-carrier," or private carrier transporting its own property and therefore not subject to regulation.

The company purchased fuel oil from a producer as needed to fill orders solicited from the public generally. Taking legal title to the oil, it would deliver directly to purchasers at a price comprised of the supply cost plus an amount somewhat less than common carrier freight charges. An applicable transportation tax was not added. This arrangement enabled the company to attract customers of common carriers legitimately operating under published tariffs.

The commission found that the primary business of this operator was that of transportation for compensation, and that its operations were essentially a common carrier function subject to regulation. Since it did not comply with established rates and charges, its operations were held to be discriminatory and unfairly competitive. A cease and desist order was therefore issued.

Asserting that it operated as a private carrier and pointing to a statutory ex-

emption of private carriers from regulation, the company insisted that the commission lacked purisdiction to determine its status as a carrier. The commission ruled, however, that it has authority to examine the operations of any carrier for the purpose of determining whether it is subject to regulation, particularly where the carrier holds a certificate authorizing limited carrier functions. *Central Transport, Inc. v. Asphalt & Petroleum Co. Docket No. T-759, Sub 3, June 12, 1956.*

Other Recent Rulings

Municipal Abrogation of Contract Rates. The United States court of appeals held that a municipal utility commission's resolution purporting to abrogate charges fixed by a contract between a city and an airline for the use of airport facilities was void since the specific statutory authority of the municipality to contract prevailed over the general power to regulate public utility rates. *Trans World Airlines, Inc. v. City and County of San Francisco (1955) 228 F2d 473.*

Airline Securities. The California commission held that it has no jurisdiction over the issuance of securities by a common carrier by air. *Re Western Air Lines, Inc. Decision No. 53171, Application No. 38049, May 31, 1956.*

Transfer by Trustee in Bankruptcy. The Colorado commission, although it did not feel justified in authorizing the transfer of a common motor carrier certificate, authorized the transfer of all right, title, and interest of the trustee in bankruptcy and of all the right, title, and interest of the bankrupt in and to a lease and option to purchase, where the question of the title to the certificate passing to the trustee in bankruptcy had not been fully determined. *Re Fitzgerald, Trustee, Application No. 13785, Decision No. 45538, April 3, 1956.*

Carrier Rights Transfer Denied. An application by a motor common carrier for authority to transfer a part of his authority and to retain the remaining rights was denied by the Colorado commission, where the carrier did not show that the transaction would be in the public interest or offer to surrender the rights remaining after the proposed transfer. *Re Lenig (Aurora Removal Service) Application No. 14259, Decision No. 45605, April 11, 1956.*

Motor Carrier Tariffs. The Colorado commission authorized a motor common carrier association as agent to substitute on the title page of a tariff a concise statement calling attention to unmarked changes in the tariff, in lieu of applying specific symbols to particular changed rates, rules, or regulations indicating the exact nature of any change, as required by commission rule. *Re Motor Truck Common Carriers' Asso., Agent, Application No. 14281, Decision No. 45606, April 9, 1956.*

Freight Rates for Oil. The Texas supreme court ruled that oil shipped by rail from New Mexico to east Texas was subject to interstate rates while oil shipped from west Texas to east Texas was subject to intrastate rates, even though the two shipments were commingled en route and delivered by measure merely, without any identification of the specific oil tendered by the shippers. *Humble Oil &*

Refining Co. v. Texas & Pacific Railway Co. 289 SW2d 547.

Carrier Regains Revoked Rights. Upon rehearing, the New York commission vacated its prior order revoking a motor common carrier's certificate for failure of service, on a showing by the carrier that its temporary cessation of operations was prolonged by circumstances over which it had but limited control, and that at the time of the discontinuance it anticipated an early resumption of service. *Re B. & E. Transp. Co., Inc. Case MT-1175, April 2, 1956.*

Rehabilitation Formula Applicable. Emergency passenger fare increases, necessitated by increased wages, were found by the New York commission reasonable for a railroad redevelopment corporation, in that they would not produce more revenue than allowed by a statutory formula designed to provide such corporations each year during the redevelopment period with revenues sufficient to cover operating expenses, other expenditures, and part of the cost of the rehabilitation and improvement program. *Re Long Island R. Co. Case 17553, April 23, 1956.*

Procedural Formalities. The North Dakota supreme court held that the commission was without authority to order a railroad to continue certain train service before the railroad had been furnished with written specifications of issues to be considered or afforded an opportunity to present evidence, notwithstanding that the railroad may have been without authority to discontinue the service. *North Dakota ex rel. Pub. Service Commission v. Northern P. R. Co. 75 NW2d 129.*

Linking Operating Rights. The Utah commission held that two carriers were obligated to render joint through service at points common to the authority held by each since certificates are issued primarily for the benefit of the public rather than for the certificate holders, and shippers receiving service between two given points from two or more carriers should receive a service comparable to what it would be if rendered by a single line. *Fuller-Toponce Truck Co. v. Barton Truck Line, Inc. Case No. 4203, March 12, 1956.*

Motor Carrier Rate Increase. The Utah commission authorized rate increases for a motor carrier on the basis of an operating ratio of 88.82 per cent, upon a showing of substantially increased operating expenses and an operating deficit. *Re Intermountain Tariff Bureau, Case No. 4241, May 4, 1956.*

Refund Method Approved. A gas company was authorized by the Illinois commission to distribute, under a "purchased gas cost adjustment" provision, a refund obtained from a pipeline company, by applying a decrease of .3 cent per therm on consumers' bills over an estimated period of eighteen months. *Re Citizens Gas Co. No. 43345, June 19, 1956.*

Unproven Overheads Excluded. In estimating an original cost rate base for a small telephone company, the Missouri commission, consistent with its usual practice, excluded omissions and contingencies and general overheads since there was no evidence that such items had ever been capitalized. *Re Clover Leaf Teleph. Co. Case No. 13,333, June 5, 1956.*

EW DELTA-STAR PMB-40

Braidless Single Side-Break Switch develops high pressure contacts with exceptional ease of operation

★ **PMB-40 Switch operates with exceptional ease—with high pressure swivel joint and low-friction swivel terminals. High-pressure joint is directly on the center line of the rotating terminal.**

★ **Entering or withdrawing the blade from high-pressure contacts is smooth and easy—with toggle and knee-break action.**

★ **Factory sealed stainless steel ball bearings on rotating insulator require no lubrication for the life of the switch.**

PMB-40 Single Side-Break Switch blade contacts are patterned after Delta-Star's famous MK-40 vertical break switch. They feature hard drawn copper contact shoes with silver inlays. Non-current-carrying beryllium copper leaf springs apply pressure; large deflections assure maximum contact pressure over years of wear.

The PMB-40 Side-Break Switch is available in voltage ratings from 7.2 kv to 161 kv and current ratings from 400 to 1200 amperes.

Write for PMB-40 Publication No. 5604—or see your Delta-Star representative.

DELTA-STAR ELECTRIC DIVISION

H. K. PORTER COMPANY, INC.

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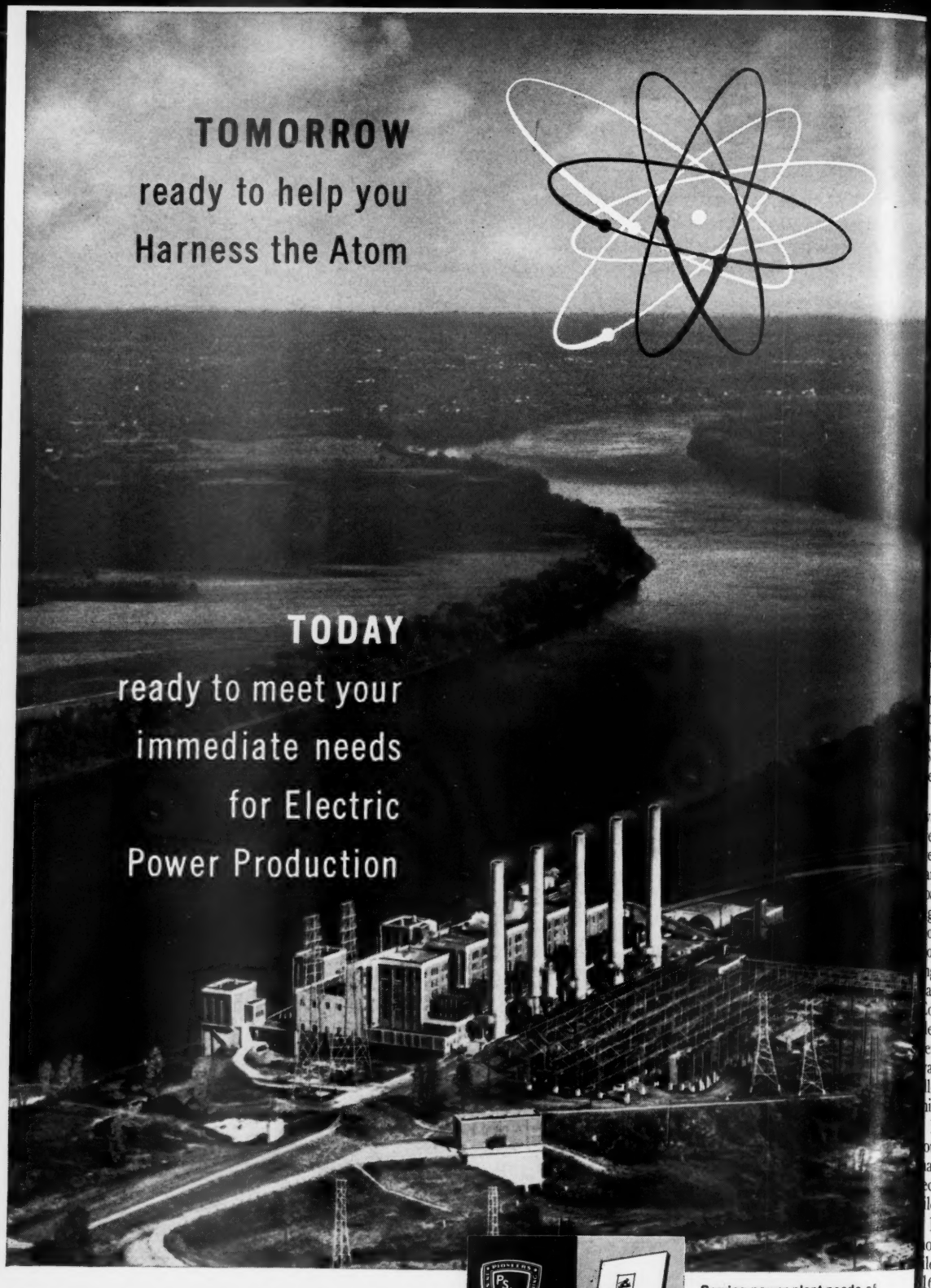

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Industrial Progress

Southern California Edison Observes 60th Anniversary

SOUTHERN California Edison Company observed its 60th anniversary recently with an announcement from President Harold Quinton that the company will pass the billion dollar mark in plant investment late this year.

Southern California Edison's investment in electric plant facilities stands now at about 960 millions, Mr. Quinton declared.

This is in striking contrast to the total investment of $11,000 required to set up the first plant of the company, which was then called the West Side Lighting Company, Mr. Quinton recalled.

The West Side Lighting Company was incorporated in 1896, just 17 years after Thomas A. Edison invented the first practical incandescent lamp. The plant's total "connected load" consisted of five commercial arc lights and three street arcs, with power supplied by an 80-horsepower boiler and engine, a 30-light arc lighting dynamo, and 50-kilowatt alternator. Today, Southern California Edison Company operates thirty-three electrical generating plants, having a generating capacity of 2,349,420 kilowatts, and appears to be headed for an all-time record in power production this year.

It is estimated that the net kilowatt-hour total for 1956 will be approximately 13,800,000,000. The previous record year, 1955, was 12,365,614,000 kilowatt-hours.

Electrical output for the first five months of 1956 netted 5,475,064,000 kilowatt-hours, as compared with 4,-616,216,000 kilowatt-hours for the same five-month period last year.

According to the announcement, Southern California Edison has added more new customers than any other electric utility in the nation during each of the past four years and, as of June 1, 1956, the company's installed meters totaled 1,386,000.

G-E Offers "Light for Living" Sales Package

THE lighting industry's mounting interest in residential light conditioning has been brought into sharp focus with the introduction of a sales promotion package designed to help open up this relatively undeveloped market.

Offered to the electric utility companies as a sales tool they can pass on to the major elements of the industry in their areas, the "Light for Living" sales package was announced by James C. Forbes, manager of market development for the General Electric Company's Large Lamp Department.

The package, Mr. Forbes said, includes advertising and promotion material that will be useful to builders, fixture manufacturers and distributors, and the portable lamp field.

"We regard this package," he said, "as a contribution to the industry-wide Live Better Electrically and 'Housepower' programs. It is intended as a means of helping raise the standard of lighting in American homes. It is aimed at reaching the consumer through the various elements of the lighting industry, with the electric utility companies assuming their natural role as coordinators of the program." The "Light for Living" package, Mr. Forbes said, can help those programs by working toward improved home lighting, which, on the average, should be raised to at least four times its present level.

The sales package covers three major segments of the industry—builders, fixture manufacturers and distributors, and the portable lamp field. A separate kit has been designed for each.

The "Light for Living" package is being made available to utilities through the G-E Lamp Division's district sales offices across the country.

New Cleveland Trencher Bulletin

THE complete line of Cleveland trenchers and backfillers—including the recently introduced Cleveland L-270 ladder-type trencher—is featured in a new 4-page bulletin published by The Cleveland Trencher Company. The L-270, one of the nine Cleveland models, is capable of digging wide deep trench in alleys and other narrow areas where no excavating machine of any kind heretofore could work.

Information on the capacities, specifications and dimensions of the nine Cleveland machines has been organized to facilitate a quick convenient comparison of the models. Special advantages and Cleveland design and construction features incorporated in each machine are covered in the brief text.

Copies of the new Cleveland Full Line Bulletin can be obtained free by writing to The Cleveland Trencher Company, 20100 St. Clair avenue, Cleveland 17, Ohio.

I-T-E Mobile Exhibit Tours the United States

I-T-E Circuit Breaker Company's customers will get a first hand view of the firm's major electrical products, via a mobile exhibit which recently started on a nation wide tour of American cities.

Displayed in this 33-foot demonstration trailer is a representative cross section of I-T-E's broad line of electric protection, transmission and distribution equipment. Included are such products as operable 15 kv switchgear; new isolated phase bus;

(*Continued on page* 26)

low voltage drawout switchgear and numerous smaller components. Products not actually aboard are illustrated in wall-mounted photo books, colored murals and in a shadow box with three horizontal panels. The center panel is translucent Plexiglas (backlighted) on which is diagrammed a complete electrical system from generation through distribution to utilization. Above and below are colored transparencies in which I-T-E products are keyed to their application in the electrical system.

Fully equipped with its own generating system for the operation of various electrically-operated displays, lighting circuits, radiant heating, and air conditioning, the exhibit will take approximately a year to make a circuit of the U. S., hitting the northern section this summer and the southern half of the nation next winter. Attendance will be by invitation, from I-T-E's nearly 50 field offices, to customers and prospects among utilities, large industrials and consulting engineering firms.

New "Dial Telephone Exchange On Wheels"

A NEW era in telephone service begins spreading cross country with several Bell System companies putting into operation their new "central dial offices on wheels," according to an announcement by Highway Trailer Company. The Mobile CDO's, as they are called, serve rapidly expanding communities now hard-pressed for phone service and otherwise forced to wait as much as a year till permanent facilities can be provided.

The new mobile "CDO" is basically a complete, central dial office with a capacity ranging from 100 to as many as 600 lines, built into a specially engineered, drop frame trailer van. The all-steel, insulated van was designed and built by Highway Trailer Company of Edgerton, Wisconsin. Inside the unit is dial equipment identical t that found in permanent centra offices.

At a total cost of as much as $53,00 each, the new air-conditioned mobi units can be equipped by Bell Sys tem companies to handle as many a 1200 telephones. Among the first i active operation, one mobile CDO ha been put into service at Garden City Michigan, for Michigan Bell Tele phone Company early this year, an another has been cut over at Schaum burg Township, near Arlingto Heights, Illinois, for the Illinois Be Telephone Company.

The new mobile telephone exchang was first developed by engineers a AT&T and Western Electric Co. O ders for the specially built units wer placed with Highway Trailer Co. b Illinois Bell, Michigan Bell and Ne Jersey Bell. Present plans call for total of four such units in operation i Illinois and four units for Michiga

(*Continued on page* 28)

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities. The offering is made only by the Prospectus.

New Issue

341,550 Shares

Pacific Power & Light Company

Common Stock

(Par Value $6.50 per Share)

Transferable Subscription Warrants evidencing rights to subscribe for these shares will be issued by the Company to holders of its Common Stock, which Warrants will expire at 3:30 P.M. Eastern Daylight Saving Time, on August 2, 1956, as is more fully set forth in the Prospectus. Any shares which shall not be subscribed for may be offered by the Purchasers as set forth in the Prospectus.

Subscription Price to Warrant Holders
$27 per Share

Copies of the Prospectus may be obtained only from such of the undersigned and others as may lawfully offer these securities in this State.

Lehman Brothers — Union Securities Corporation

Bear, Stearns & Co. — Dean Witter & Co.

July 12, 1956

Power-Dome more than a name

. . . proves real gas saver, reduces upkeep, too . . .

How Chrysler Engineering Cuts Truck Operating Costs

by Jim Byers

When a new truck engine that promises more MPG and lower upkeep comes along, that's *news*.

But, naturally enough, fleet operators prefer not to go overboard in their praise of such new developments until they've proved them in actual operation.

That's the story of Chrysler Corporation's radically different Power-Dome V-8 combustion chamber, introduced in the 1954 Dodge C-1 series.

From the start, fleet men were agreed it looked great "on paper", but had to wait for a *factual* answer to the all-important question, "Will Power-Dome actually increase gas mileage, actually reduce maintenance costs?"

The answer to that question, after well over two years of service in fleets of all types the country over, seems to be an unqualified "Yes".

Owners of Series C-1, and the current C-3 Dodge V-8 trucks report remarkable gas savings and unusually low maintenance costs. They say they not only get more MPG (on regular fuel), but find engines maintain power and efficiency far longer than those of standard design.

In layman's language, here is how Chrysler engineers were able to give Dodge short-stroke V-8's these cost-cutting characteristics:

First, let's study the diagram below.

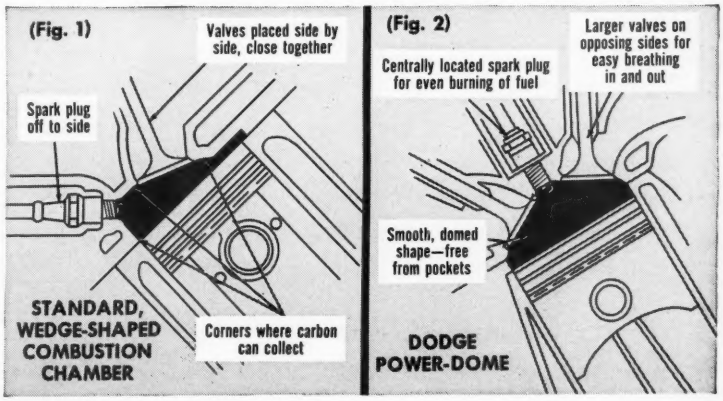
You'll notice, among other things, that the standard, wedge-shaped combustion chamber (Fig. 1) has corners where carbon can easily collect, whereas the Dodge Power-Dome chamber (Fig. 2) eliminates such power-stealing carbon hot spots.

Next, notice the spark-plug location. In the Power-Dome design, it is centrally located, instead of off to one side. Flame travel, therefore, is uniform to all parts of the chamber; thus the fuel mixture is burned faster, more evenly, and more completely.

Valve placement, too, is unusual. In the Dodge Chrysler-engineered power plant, intake and exhaust valves are located on opposing sides. This permits use of larger valves for easier engine breathing, elimination of fuel waste.

In addition to Power-Dome, Chrysler engineers have incorporated other features in Dodge truck engines that contribute to their unusual operating economy. Among a number of such advancements not found in most competitive makes are floating oil intake, ceramic fuel filter, positive exhaust valve rotators and dual exhaust system as standard equipment.

In fact, Chrysler engineers have made "fleet economy" their theme throughout the designing of today's Dodge Job-Rated Trucks. The result is a full line of trucks any cost-conscious fleet operator would be wise to investigate before investing in a replacement or adding to his fleet.


(Fig. 1)
Valves placed side by side, close together
Spark plug off to side
STANDARD, WEDGE-SHAPED COMBUSTION CHAMBER
Corners where carbon can collect
(Fig. 2)
Centrally located spark plug for even burning of fuel
Larger valves on opposing sides for easy breathing in and out
Smooth, domed shape—free from pockets
DODGE POWER-DOME

An advertisement for DODGE TRUCKS—the make with the *Forward* Look

Safe, smooth pipelaying on Pittsburgh utilities job—by Cleveland "80W."

Same job—same day—same "80W"—backfilling and tamping.

PIPELAYING, BACKFILLING and trench compaction, too, where needed—*each* done expertly by the Cleveland "80W." This modern machine substantially reduces equipment and manpower requirements on underground construction jobs of all types. That's why so many users equip *each* of their crews with a versatile "80W." Check its *complete* performance features—see how it fits your program—put it to work for you. You'll be money ahead when you do.

See your local distributor

THE CLEVELAND TRENCHER COMPANY • 20100 St. Clair Ave., Cleveland 17, Ohio

CLEVELAND

INDUSTRIAL PROGRESS

(*Continued*)

Bell. New Jersey Bell has also received delivery of their initial Highway Trailer Van for the construction of a similar unit.

Mobile CDO's have a two-fold purpose. Primarily, they provide temporary facilities for new communities within weeks and months, rather than the year or more required for engineering and construction of permanent exchange buildings. They will serve only until permanent facilities are available when they will be moved to other needy areas.

A second important aspect of the new development which uses trailer vans as telephone exchanges is their potential for emergency service during civil defense crises or other disasters.

Aerial Cable Described In G-E Catalog

A NEW booklet on aerial cable for electric utility and industrial power distribution systems has been announced by General Electric's Wire and Cable Department.

Complete data and product data is given on aerial cables of all types—preassembled, preassembled reverse-lay, field assembled and messenger and ring type—as well as discussion on the application of aerial cable and when to use aluminum conductors. Also included are comparative costs of aerial versus open wire installations and other related tables.

The booklet, Pub. No. 19-266, is available without charge from Bridgeport.

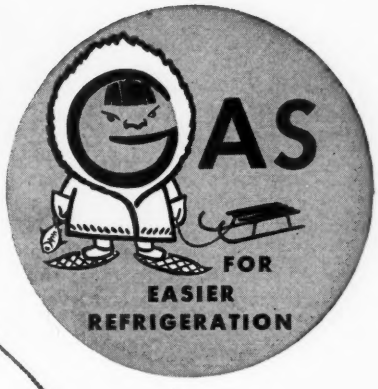
American Perforator Company Is Purchased by the Heller Corp.

LEO T. NORVILLE, Chicago attorney, industrialist, and secretary of The Heller Corp., Cleveland, Ohio, manufacturers of stapling machines and staples, announced the acquisition by Heller on June 25th of the American Perforator Company, Chicago.

The American Perforator Company, founded in Chicago in 1910, produces a complete line of paper perforating machines for use in banks, industry, commercial organizations, and the government. Among the company's products are electric check endorsing and check signing machines, and machines for validating passports.

The company will be operated as a wholly owned subsidiary of The Heller Corp. which also owns Fasform, Inc., Philadelphia, Pa., and the Roberts Numbering Machine Co., Brooklyn, N. Y. The Fasform Divi-

(*Continued on page* 30)



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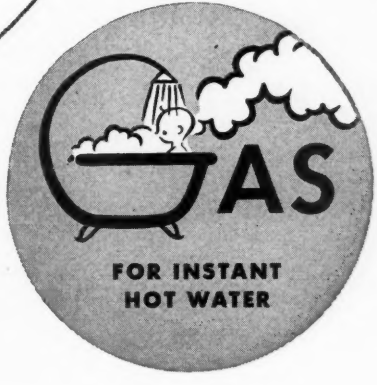
24 Hours-A-Day!



© The Columbia Gas System

CHARLESTON GROUP: United Fuel Gas Company, Atlantic Seaboard Corporation, Amere Gas Utilities Company, Virginia Gas Distribution Corporation, Big Marsh Oil Company, Central Kentucky Natural Gas Company; **COLUMBUS GROUP:** The Ohio Fuel Gas Company; **PITTSBURGH GROUP:** The Manufacturers Light and Heat Company, Binghamton Gas Works, Cumberland and Allegheny Gas Company, Home Gas Company, The Keystone Gas Company, Inc., Natural Gas Company of West Virginia; **OIL GROUP:** The Preston Oil Company.

sion manufactures wire equipment and products for telephone companies, public utility firms, and can makers. The Roberts Company makes automatic numbering devices.

Hotpoint Plan Designed to Help Utilities Coordinate Loadbuilding Activities

A NEW sales program brochure, designed to help public utility companies co-ordinate local load-building activities with three major national wiring and home modernization programs, has been announced by Hotpoint Co.

According to company officials, this is the first time a manufacturer has offered a special utility sales program that translates broad national aims of "Live Better Electrically," "Housepower" and "Operation Home Improvement" into hard-impact sales plans at the local level.

In announcing the new Hotpoint Plan, "Hotpoint Studies Women," J. A. Bell, manager, utility sales, pointed out that close to $100 million will be invested by all industry participants in these three national programs.

This is the largest expenditure in history for any combined industry operation, he said, and also the first time not one, but three, major sales activities have been directed to the home-conscious American consumer.

He said Hotpoint developed its new "Hotpoint Studies Women" plan for utilities because the local utility company, together with its many trade allies, is the natural "activator" for such home and community improvements.

By exploiting the national impact of these three programs at the consumer level, Mr. Bell said, a forward-thinking utility can realize major profit gains, both short and long term, from additional appliance sales and new residential load.

He pointed out that to stimulate consumer interest, Hotpoint is cooperating in national and local advertising programs, special contests, prizes, home shows, special publicity and other promotion activities in connection with modernization and new home construction.

As part of this industry co-operation, Bell said, Hotpoint has given 100 of its new modular kitchens to proj builders for display and demonst tion in new all-electric model hom

Also included in the "Hotpo Studies Women" brochure are br outlines of "Live Better Electricall "Housepower" and "Operation Ho Improvement" followed by anticipa power goals of participating utilit

A 1960 goal is proposed to dou the present annual residential KW consumption.

Sangamo Consolidates Locat Of Sales Departments

THE Sangamo Electric Company cently moved the sales departmen its electronic capacitor division fr Marion, Ill., to the company's h office in Springfield, Ill. The m consolidates the sales departments both the power equipment and e tronic capacitor divisions.

James H. Patton, vice presiden charge of the power equipment di sion, is responsible for the sales di tion of all types of meters and acc sories, time switches, time contr

(*Continued on page 32*)

American Appraisals of reproduction cost may affect rates

An American Appraisal report of the cost of reproduction provides convincing evidence in the preparation of an appeal for adjusting rates to provide a more equitable return.

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They consist of 10 questions and 10 authoritative answers based on current decisions revealing cour and commission views pro and con. Annual sub scription $10.

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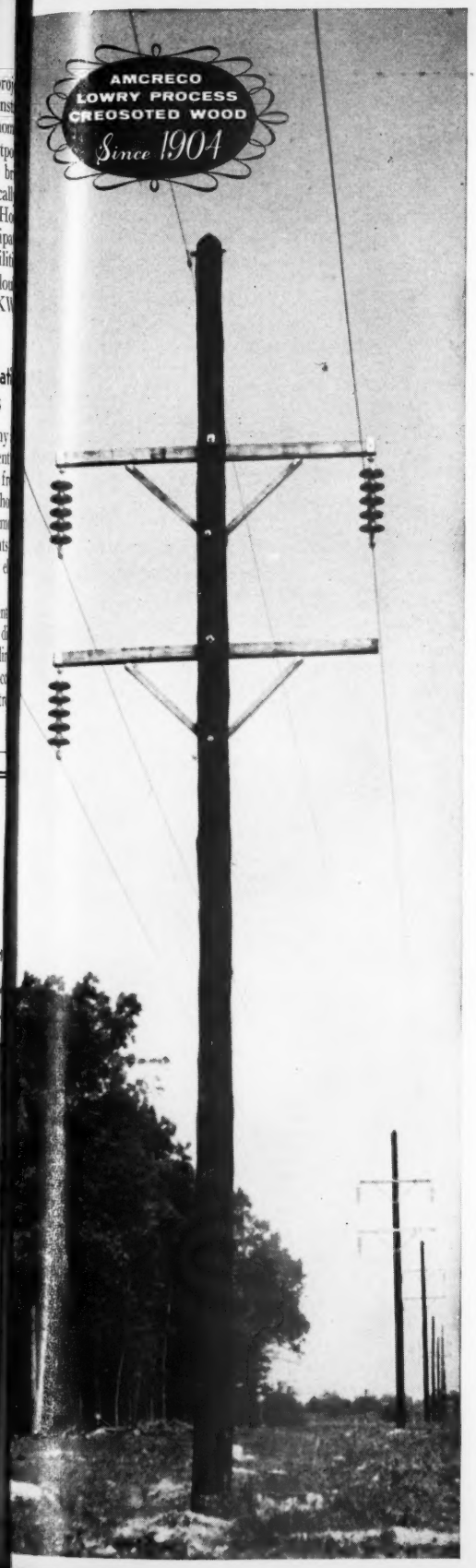

Why Creosote is Still the Miracle Wood Preservative

Creosote contains not just one but over one hundred ingredients that are toxic to insects, fungi and all other natural enemies of wood. That's one reason why it has been and still is the most effective wood preservative.

Of course, effective creosote treatment depends on the method of application. There must be careful scientific control at every step in the pressure treating process. During application, the preservative must be measured by precise equipment as it is forced into the wood. Final retention, distribution and concentration must be checked continually to assure the buyer of the best possible product. *This is the type of treatment that you get from Amcreco.*

If you've never been an Amcreco customer or if you've never profited by our years of experience and strategically located treatment plants and sales offices, contact us on your next job. We would appreciate an opportunity to quote your needs.

AMERICAN CREOSOTING COMPANY

INCORPORATED

Colonial Creosoting Company
Federal Creosoting Company
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AMCRECO
LOWRY PROCESS
CREOSOTED WOOD

Gulf States Creosoting Company
Georgia Creosoting Company
Kettle River Company

Georgia Forest Products Company

GENERAL OFFICES LOUISVILLE 2, KENTUCKY
12 FIELD SALES OFFICES TO SERVE YOU

tachographs, gas telemeters, power capacitors and controls, instrument transformers, and special equipment operated at power frequencies.

Mr. Patton's associates are W. J. Thacker, sales manager of power capacitors and controls; Keith Bowers, sales manager of gas telemeters and time controls; James E. Hall, sales manager of thermal meters and instrument transformers; Hugh Griffith, sales manager of watthour meters and accessories; and E. G. Krimmel, office manager, power equipment division.

Sales executives brought to Springfield from Marion include the following:

H. L. Kunz, vice president in charge of the components division, is responsible for the sales of electronic capacitors, generators, dynamotors, etc., as well as component transformers, filters, and similar products.

Mr. Kunz' associates are Kenneth McGee, assistant; Eric Dymond, in charge of generators and associated products; W. W. Taylor, sales manager of electronic capacitors; and A. E. McCluskey, sales office manager, components division, and assistant sales manager of electronic capacitors.

J. H. Williams continues as general advertising manager for Sangamo's power equipment and components divisions.

Westinghouse to Spend Over $1,000,000 in Expansion Program At East Pittsburgh

MANUFACTURING facilities at the East Pittsburgh plant of the Westinghouse Electric Corporation will be expanded and improved this year in a program costing well over $1,000,000. The expansion plans were announced recently by L. B. McCully, vice president and manager of the firm's East Pittsburgh Divisions.

Mr. McCully said that the expansion would be made in the plant's transportation and generator division and would be handled as two projects. The second project is currently in its final planning stage. One project—already under way—consists of installing new equipment and rearranging facilities to meet increased demands from steel mill customers. The second project, currently in its final planning stage, will provide additional capacity for the production of large generators for electric utility customers.

The larger of the two projects, which is planned for the near future, will be the expansion of facilities in the plant's "D" Aisle where large generators are assembled and tested. Additional motor-generator sets will be installed to provide increased testing power, and assembly and test facilities will be expanded and rearranged for more efficient operation.

New Firm of Consulting Engineers Formed

SCANLAN - McMAHON Associates, Inc., a new firm of consulting engineers, has established an office in Cleveland, Ohio.

According to the announcement, the principals, Thomas R. Scanlan and James F. McMahon, Jr., have had extensive experience in the design, installation and operation of steam power plant equipment, notably feedwater heating and conditioning equipment, and combustion control systems. Much of this experience has been in industrial steam power plants, where the new firm plans to center its activity. The main office of Scanlan-McMahon Associates is 18724 Scottsdale boulevard, Shaker Heights 22, Ohio.

Iowa Power Cited for Rate of Growth

THE IOWA Power and Light Company illustrates the ability of an excellently managed public utility company to achieve both growth and stability at a more rapid pace than its area, the American Institute of Management has found after a study of the company.

Reporting on the Iowa company in a Management Audit, the Institute pointed to a 22 per cent increase in customers since 1950 in an area where the population has increased 1.5 per cent during the same period. This increase exceeds the national utility average, which is based on generally greater population increases.

An analysis of Iowa Power ascribes its success to a progressive outlook and alertness to good community relations in service and sales policies in its area—most of central and southwestern Iowa, including the state capital, Des Moines.

Iowa Power was rated "excellent" in management by the AIM on the basis of receiving 7875 points of a possible 10,000 in the Institute's rating scale. This is a comparative rating rather than statistical but in each of 10 major categories the Iowa utility scored consistently. In the most important of the 10, Executive Evaluation, the Institute found Iowa Power under men well grounded in uti management and with a recognition their role in community developme

Community development has b important to the utility's sales succ the AIM finds. Company represen tives hold clinics to help local citiz determine the needs of their areas a ways of meeting them. This progr has resulted in tangible benefits l new community buildings and swi ming pools, all of which identify t company with progress in its territo As a more direct spur to sales the co pany maintains 32 retail stores sell farm and home appliances directly customers in a territory divided i 12 districts.

N. Bernard Gussett is president the corporation.

Schutte and Koerting Compa Appoints New Manager of New York Office

SCHUTTE and Koerting Compa Cornwells Heights, Bucks Coun Pa., has appointed John H. Peters as manager of the company's N York City office.

Mr. Peterson joined Schutte a Koerting Company in 1934. H served the company as Chief Draft man of the Jet Department and, lat as Assistant Manager of the same d partment before being transferred the New York office as sales engine

Mr. Peterson takes over the dut of C. T. Keet, former manager n retired, in supervising sales and eng neering service for all SK produc including jet apparatus of all type Rotameters and flow indicators, t SK line of valves, gear pumps a heat transfer apparatus.

IBM Appointment

INTERNATIONAL Business M chines Corporation has appointed J seph B. Rogers special representati in the communications departme with headquarters in New York Cit Mr. Rogers will be responsible for t vestigating the application of scienti computing techniques to telephone a telegraph communication proble throughout the United States. For t communications field in general, h will coördinate sales activities a planning of applications of IB equipment to meet the needs of cu tomers. In addition, he will assist IB sales representatives and custom personnel to keep abreast of develo ments in machine accounting and da processing.

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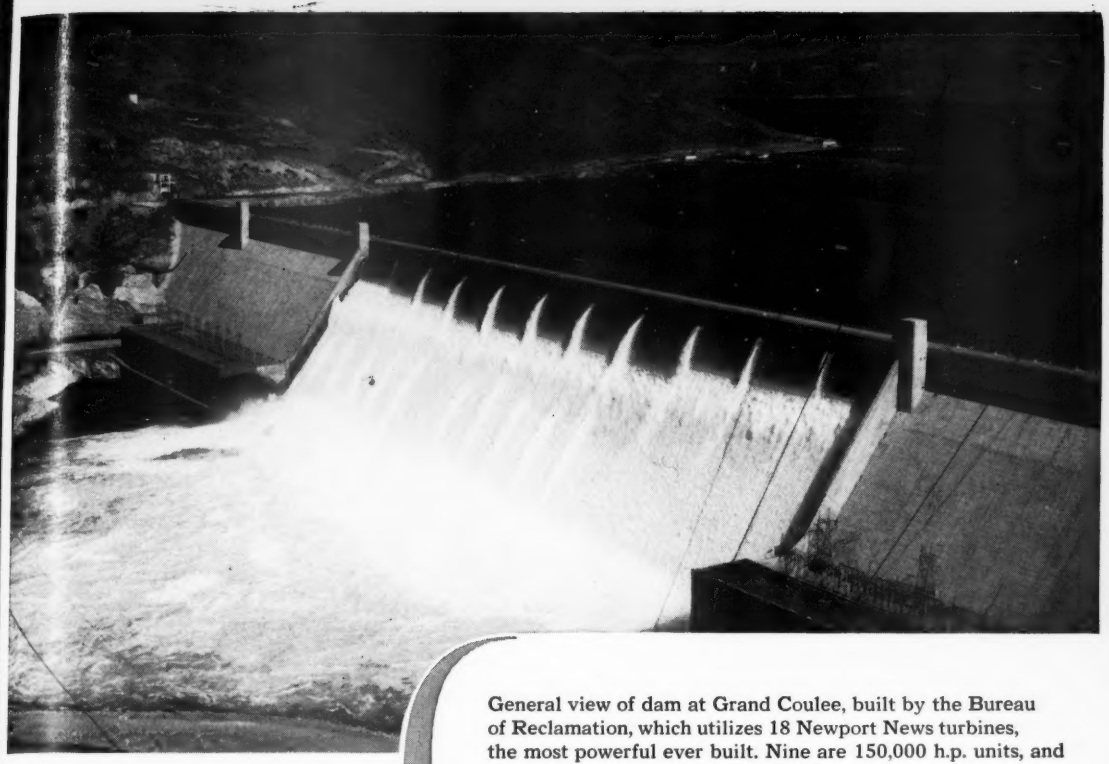

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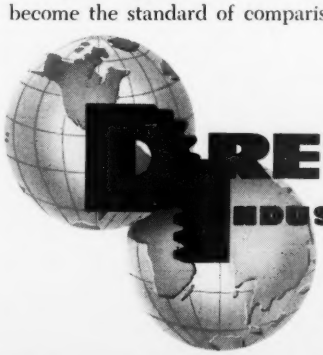

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